
Committee Meeting

of

JOINT COMMITTEE ON THE PUBLIC SCHOOLS

"Representatives from the Institute on Education Law and Policy will present a report on 'New Jersey's Interdistrict Public School Choice Program;' and representatives of the New Jersey Schools Construction Corporation, Scott Weiner and Barry Zubrow, will present the Corporation's update"

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: February 6, 2007
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Ronald L. Rice, Co-Chair
Assemblyman Craig A. Stanley, Co-Chair
Senator Martha W. Bark
Senator Thomas H. Kean Jr.
Assemblyman Patrick J. Diegnan Jr.
Assemblywoman Joan M. Voss
Assemblyman Bill Baroni
Assemblywoman Jennifer Beck
Assemblyman David W. Wolfe



ALSO PRESENT:

Melanie Schulz
Executive Director
Sharon Benesta
Chief of Staff

Brian Alpert
Senate Republican Staff
Natalie A. Collins
Assembly Republican Staff

***Meeting Recorded and Transcribed by
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SENATOR RONALD L. RICE (Co-Chair): Good morning.

This is the second day I've had a hearing, and I said good morning. And everybody acted like it was too cold to open their mouths.

Good morning.

UNIDENTIFIED SPEAKERS: Good morning.

SENATOR RICE: This is an education Committee. You know Professor Stanley likes the class to say good morning.

Isn't that right, Professor?

ASSEMBLYMAN CRAIG A. STANLEY (Co-Chair): That's right.

SENATOR RICE: We're going to get started in a moment. ~~We're~~ we're going to try not to be too long. ~~W~~ we know that people have to go -- I will be leaving, I guess, about 11:00 -- so that we can try to address some of the issues affecting your lives in New Jersey, as taxpayers and voters. If that occurs, then Co-Chairman Stanley will still be here. But we should be coming close to a conclusion there.

With that, why don't I ask the staff, ~~Melanie~~ to do roll call?

MS. SCHULZ (Executive Director): Senator Rice.

SENATOR RICE: Here.

MS. SCHULZ: Assemblyman Stanley.

ASSEMBLYMAN STANLEY: Present.

MS. SCHULZ: Senator Bark.

SENATOR BARK: Here.

MS. SCHULZ: Senator Kean.

SENATOR KEAN: Here.

MS. SCHULZ: Assemblywoman Beck.

ASSEMBLYWOMAN BECK: Here.

MS. SCHULZ: And Assemblyman Wolfe.

ASSEMBLYMAN WOLFE: Here.

SENATOR RICE: Okay. With that, Assemblyman, should we begin? Do you want to make some remarks?

ASSEMBLYMAN STANLEY: Just that we certainly welcome the two prime agents for the Schools Construction Corporation. And all of us know that there is, certainly, much work to be done, in terms of moving the school construction projects forward, and a lot of people who certainly are anxiously awaiting these buildings -- of course, probably the most important of which are the young people who will occupy these buildings, these schools.

And so we certainly look forward to a report from Mr. Weiner and Mr. Zubrow.

And, Mr. Chairman, I think it's very important that I commend you for calling on the SCC to come forward with an update on where we are, and where we're going, and what we as legislators need to be doing to facilitate the process of moving projects along.

SENATOR RICE: Thank you, Mr. Co-Chair.

We'll be dealing with interdistrict this morning, as well. Why don't we start off by having the SCC give us their presentation?

And then members of the Committee will ask any questions they have to ask of you.

Good morning.

B A R R Y L. Z U B R O W: Good morning.

SENATOR RICE: The mike is yours.

MR. ZUBROW: Good morning, Mr. Co-Chairmen -- or perhaps I should say Co-Professors.

I want to thank you and the other Committee members for inviting us here today to share with you the continued progress we are making in bringing ~~much~~-much-needed reform to the schools construction program. We are proud of what we have done, but recognize that there is still more hard work ahead of us.

In a minute, I will turn it over to my colleague, Scott Weiner, who will walk you through the specific accomplishments that have been achieved in restructuring the SCC, and discuss the implications for the program going forward.

First, however, I want to put in context the interagency working group's recommendation for additional funding of \$3.25 billion for the State's school facility program. We recognize that such funding for schools construction must be evaluated in the context of the ~~state's~~-State's overall fiscal health. We recognize that there's an ongoing, real, structural budget deficit within the State. We recognize and hope that your efforts are coming to fruition to fund real property tax relief. We obviously recognize that there has been consideration of a new school funding formula. And although that may take longer to get accomplished than had previously been hoped, how that funding formula interacts with schools facilities will be an important thing for all of us to continue to talk about. And all of these considerations, obviously, have to be balanced against the ongoing ~~acute~~acute needs in our communities for additional school facilities.—A; and recognition that delay in the program only costs us all more money.

Some might suggest that this all adds up to a fiscal ~~conundrum~~conundrum. Perhaps so. ~~B,~~ but such ~~conundrums~~conundrums can be addressed. But they can only be addressed, I believe, in the context of an overall asset liability plan for the State. The old ways of financing schools construction may not be the best ways. Remember, six years ago, when \$8.6 billion of bonding was authorized for schools construction, there was no specific revenue stream identified to pay the interest, let alone ~~amortization~~amortization, on those bonds. What will eventually come to amount to over 25 percent of the State's outstanding debt obligations were just assumed could be covered and repaid through the State's general budget.

Perhaps you and your colleagues in the Legislature will conclude that borrowing continues to be an appropriate approach to such funding. However, it seems that before that conclusion is reached, we should all look together at a comprehensive asset liability plan for how the State might best match the State's resources with the funding obligations that we all recognize exist, not just for schools, but for other important and worthy initiatives. Excess value in capital may exist in certain assets of the State, which can be redeployed for these higher and better uses. This is not about magic. There are no silver bullets in resolving this ~~conundrum~~conundrum.

We have suggested a next tranche of funding of \$3.25 billion. Now we collectively need to identify the best source of those funds as part of a comprehensive capital plan for the State.

My colleagues and I look forward to working collaboratively with all of you in addressing this essential planning issue. As we continue

to address the issue of funding, we need to keep two points in mind. First, there is a critical need, now, for legislative action, which commits future funding for the schools program. Scott will discuss, in a moment, the implications of delaying such authorization. Second, there are amendments required to the current statutes to achieve the reforms and accountability that we all want for this program. Regardless of how the funding equation is resolved, these ~~programatic~~programmatic reforms are critical to strengthening the work that we have already begun.

We look forward to working with you and your colleagues as we continue to reform this program and agree on a path forward.

With that, I'll turn it over to my friend and colleague, Scott Weiner.

SCOTT A. WEINER: Thank you, Barry.

And I also want to thank the members of the Committee for providing us this opportunity to meet with you again and talk about our progress at the Schools Construction Corporation.

In preparing for this morning's meeting, I realized that it was a year ago tomorrow that the Governor signed Executive Order 3, which set Barry and I off on this journey, and also initiated the reform activities under this administration at the Corporation. So it's particularly timely. And I always welcome the opportunity to talk about the things that we've done.

The Committee members have a copy of a presentation. As last time, I'm not going to go through all 17 pages. I will touch upon the highlights and leave this behind for the Committee.

I do want to draw your attention to the pages at the end, which are a listing of projects currently in construction, as well as those that are

currently waiting for construction, among the group of 59/69, as we still refer to them. There is a sheet that looks like this (indicating). I know; often; people say, "Well, what's in construction right now?" This sheet lists the 32 projects that are literally in the ground₂ and that construction work is taking place now. So I leave that for you.

This morning, I do want to spend a few minutes talking about the reform efforts that have been initiated at the Corporation. I do want to talk and build upon Barry's remarks about the need for legislative action, and also update the Committee on two activities, or two issues that the Corporation and its Board is actively wrestling with. And that's the topic of project deferment, as well as our new 2007 operating budget.

I would like to draw your attention to Page 3. One of the things I feel very strongly about is that the SCC, today, is a different corporation than it was a year ago, let alone a year-and-a-half or two years ago. We all look for different indicators for that. And this morning I'm going to try to present a number of them. One, which my colleagues and I are very proud of, is the comments by the State's Inspector General.

———— Page 3 presents a chronology, if you will, of the evolution of the perspective of the Inspector General, from her first report in April 2005, when she talked about -- that the SCC was "vulnerable to mismanagement, fiscal malfeasance, conflicts of interest, waste, fraud, and abuse of taxpayer dollars."

A year ago -- 13 months ago—₂ as the Corzine administration was getting ready to begin, at the very end of the initiatives started by former Governor Codey, the Inspector General was able to conclude that

the SCC should be “able to resume spending on new construction projects,” based upon the, then, new leadership that was in place.

When I look back at 2006, one of the things I point to as a sign that we’ve had successes, is the Inspector General’s comments, where she said, “~~F~~ the “SCC’s new leadership has demonstrated a strong commitment to the efficient use of State funds to build schools by implementing internal controls, restructuring the organization, hiring knowledgeable and experienced staff.” Quite simply, we do think that there is work to be done ~~--- O~~ our work is not finished. ~~B -- b~~ but we have accomplished a lot during 2006.

The next page highlights and summarizes those reform efforts in different categories. This was the work we were doing in 2006. We’ve discussed some of these initiatives with you at prior hearings, but I would like to touch upon them. And they address three specific categories. The first is the recognition of the need for transparency in all of our work, both in form of governance on the ~~board~~Board, as well as management decisions; and the absolute ~~unwaivering~~unwaivering commitment to ethical behavior.

I think the SCC may be the only agency in State government which not only provides information about its ~~board~~Board meetings on the Web, but it also provides, before the meetings, all the staff management memoranda that goes to the Board, with our management recommendations, so that anyone who is interested -- you, your colleagues, your staff, interested members of the public -- can find out not just what is going to be discussed, but the context of that discussion, and what the underlying analysis is that the staff and management are using for the basis of their recommendation.

We hired KPMG, as I'm sure you know, to provide our internal audit function. We have a good, aggressive internal audit function going on. It has helped us both understand the areas where controls were needed and continue to be needed. ~~A;~~ a and it allows us, at a management level, 2 and Board level particularly, to make sure that the initiatives that we put in place are bearing the types of fruit and control that we anticipate.

I think everyone knows, but I think it's worth repeating, that we have entered into an agreement with the Inspector General. We now have two ~~Inspector~~ inspectors ~~G~~ generals on site, at the SCC, reporting directly to the Inspector General. These are Inspector General employees. ~~T;~~ they're not our employees. But they are there; 2 and they are busy and active; and are there not just for the Corporation, but also for the public at large; 2 and receives information, complaints, and issues from the public; ~~--~~ and are there to track that down.

And we have strengthened our ethics program. And I think that we have one of the most aggressive ethics training programs in the state.

Fiscal responsibility -- the second category -- is one where we have invested an enormous amount of effort, not just in the past 12 months; ~~--~~ but certainly those who were the re ~~areas~~ ~~that~~ ~~the~~ first attention ~~--~~ through the ~~in~~ iatitives in itatives of former Governor Codey.

The first bullet -- really; the first two bullets ~~---~~ 2 talk about a very important initiative that we started a couple of months ago. And that's aggressively seeking to recover moneys on behalf of taxpayers of the state, where we can identify where there has been a basis for us to assert either professional negligence; or where we believe we can seek contributions (*sic*)

for environmental cost recoveries; ~~a.~~ And the third leg of this stool I will be ~~announcing~~ announcing in a minute, in terms of the assertion of liquidated damages against contractors.

I think everybody knows -- but if not, it's worth repeating -- that in collaboration with the Attorney General, we filed a suit to recover costs incurred by the SCC during the cleanup of School No. 30~~7~~ in Elizabeth. We're seeking recovery of almost \$900,000 in that regard. Again, we filed a lawsuit not that long ago seeking to recover over \$3.5 million in costs incurred to repair structural design defects and design errors that were in the Mount Vernon Elementary School project~~7~~ in Irvington. And today -- literally as we speak -- we're asserting our first claim of liquidated damages against a contract. Because I don't know for sure that the contractor has been notified as I sit here, I don't want to give out the names until they've had the courtesy of notification. But we will be able to provide the Committee with the names of the contractor and the school project later this morning or early this afternoon.

In all of these, there is a theme that I want to underscore. We are not making grand moral judgments. Mistakes happen. Sometimes professional negligence happens, sometimes contractors don't deliver the school and don't execute their work in the timetable that they agreed to and that we believe is reasonable. But no matter, the fact of the matter is that the taxpayers of New Jersey should not have to bear the cost for that negligence, for that delay, for whatever the reasons are. So we are -- have begun this aggressive, three-prong approach to recover those moneys. We are actively working with the Attorney General in this and other areas. And

I anticipate² in the not-too-distant future, we will be announcing a series of other cost-recovery actions in one of these three areas.

We have also established an internal legal function, staffed by experienced construction lawyers. We have three lawyers working in-house, if you will,^a all of whom have extensive and respected experience in the area of construction law. It's that capability, coupled with the capabilities of the Attorney General's Office, that has allowed us not only to initiate these cost recovery actions, but also has allowed us to begin aggressively to work on revising our contract documents and our contracting relationships with all entities that participate in a school project.

Lastly, the fourth bullet under that category⁻⁻⁻: We are very proud of the fact that we've reduced the number of open change orders by 50 percent since March ⁻⁻ over the past 10 months. There has been a problem in this area. First of all, the word *change orders* has been a term of art, if you will. That includes change orders, contract amendments, any change at all. So we're using it in that regard.

There are two problems that occurred. One was historic, that there were changes that were required to projects, sometimes because of the prior approach of prior management of letting contracts out for bid before the design was completed. So, by definition, you know you're going to have change orders. It's not the best way to build a school^{--;} it's not the best way to build anything.^{-B,} because you're institutionalizing, in that regard, change and inefficiencies on that particular project.

We've sought to reduce that through both getting contractors paid when they need to be paid, but also in changing our approach to how we manage projects. And I will talk more about that in the next section.

In the next section -- in the third area, that we've concentrated on in the past year -- is strong management: strengthening management and the ~~admininstration~~administration of projects. Generally, I put that under the category of project controls. We do, now, use a prioritization methodology to sequence projects based upon educational factors, not just how fast they can get into the ground. We need them, but we have limited resources and limited time. One of the problems I will talk about in a minute, historically, was that the Corporation -- probably motivated by the best of intentions -- literally tried to do everything. Any project that was approved by the DOE was started. You simply can't run any business that way. There has to be some sense of sequencing and prioritization. Again, I think it was all of the best of intents, but unfortunately the worst of management.

We've created the Division of Management Planning to develop real strategic plans, real capital plans for the Corporation. And that is where we have created, for the first time during the past year, real project controls. And those project controls are centered around something else that was new in this administration, which is a real budget for a project. There simply -- One simply didn't exist. You've heard me talk about it before. To me, it is a reality check, based upon the type of situation that all of us -- you as legislators, us as board and management, employees, and most significantly taxpayers in New Jersey -- had to face. There were no budgets for the projects. There were budgets for little pieces of the projects, but nobody knew what the total cost of a project was. I don't have to spell out the waste that can come from that.

We are actively looking at our contract provisions. They are -- need tightening. Sometimes they're not clear. By any definition, sometimes they could be characterized as overly generous. Again, I don't think that anybody was necessarily trying to give something away. I just don't think they were managing it well. We've hired experienced construction and real estate professionals. And as I mentioned before, a major, major initiative -- we have just discontinued -- we have just simply -- we did this a while ago -- discontinued the practice of bidding projects on incomplete designs. And we've also stopped designing projects before all the land was acquired.

One of the things that would happen is, a project would begin to go into design. Once all the land was assembled, after the design was started, somebody would say, "Oh, my God, it won't fit on the parcel we acquired," incurring additional costs to then redesign the project. I'll give everybody the best of intents and assume that they wanted to try to fast-track things. But ~~some things~~some things just simply can't be fast-tracked. They can be better managed.

We're certainly not done. The last section₂ in green₂ highlights those areas that we are continuing to work on to implement. And there are, for sure, other items beyond these. We are initiating an aggressive in-house training program. We are starting an *on-call demolition* project. Many members of the Committee have talked to me about this.

We will be on the street by the end of the week with a procurement. In short, what this is going to do -- and I know Assemblyman Stanley and Senator Rice are familiar with this problem. Historically, the Corporation would wait to assemble almost the entire parcelage for a

project before it began demolition. That contributed to blight, it contributed to the problem of vacant buildings, of ~~squaters~~squatters, and all the things that go along with that. And as projects began to be suspended and ~~defered~~deferred, the problems exacerbated. Then a contractor would be allowed to bid, and you'd go through the bidding procurement process. The process is appropriate, but it was very slow ~~---~~; not because the process was wrong, but because the management of it wasn't creative. It was sequential. "Let's assemble all the parts of the land, then we'll knock it down."

In working with the Attorney General's Office and the Inspector General, we've come up with a program that we call *on-call demolition*. We will be ~~proœurring~~procuring, starting next week -- through a competitive procurement process -- a group of qualified demolition firms that will literally be on-call. They will be prequalified. We will have negotiated prices. And now, when we acquire a building that is due for demolition, within 30 to 45 days~~;~~ that building is down. We will be able to call somebody up and just take it down. And we'll take them down in groups of ones and twos, as we need to, in order to keep the areas safe and the areas clean. Sometimes we all do things and say, "Why didn't somebody think of that before?" I don't know. But we've tried to attack the problem of getting buildings down faster and keeping communities clean and neat.

Page 5 underscores and illustrates a point I want to make. This is a new corporation. It has the same name. It is a different corporation. This (indicating) is my senior management team. And I've included, under their names, their current titles, the dates that they were hired at the SCC.

 —At my last appearance before the Committee, there was some

~~colloquy~~ colloquy about our Chief Operating Officer, who has been with the Corporation since 2002. As I said then, he has made, during my tenure, an invaluable contribution. And in January of '04, Jerry took on the role of Chief Operating Officer₂ and was responsible for everything but design and construction. I sometimes think out loud and wonder what might have happened had Jerry been involved in design and construction. We might have had a different outcome than the one we have seen. And then, in the Fall of 2005 through late January 2006, Jerry was out on medical leave due to a very serious illness₂ and has come back.

Gina Bleck, who heads up our Office of Project Management -- ~~It~~ used to be called ~~design-Design~~ and ~~construction~~ Construction. ~~And-As~~ we delved into some planning at the Corporation, we realized we don't design and construct anything. We manage projects. In fact, what I think we do, and what I try and discuss with my colleagues both in the Corporation and in the districts₂ is₇; we help districts manage the supply chain of delivering a school, from the point of design to the point of commissioning. That's our job. We contribute to that. We don't design things, we manage the projects.

Gina came to us in June, 2006, from Rutgers. And in November of last year, I promoted her to take on the senior management of that unit of our Corporation.

Beth Sztuk -- who some of you may know from her tours of duty in State government at the BPU, in no particular order, and in the Governor's Office, most notably at EDA -- joined us in June of 2006 and took on the responsibility of building this new office of Division of Management Planning and Project Controls.

Don Guarriello joined the Corporation in June 2005 as the comptroller. He was also-- In addition to Don joining at that time, it was the first time there was a Chief Financial Officer at the Corporation. In May of this year, I asked Don to take on the role of Acting Chief Financial Officer while we ~~commensed~~commenced a search for a permanent CFO.

John Clark is one of the three attorneys. He's our Chief Counsel I referred to earlier. He joined us in April 2006.

Scott Guibord joined the Corporation in November 2005 as part of the governance reforms and initiatives launched under Governor Codey's ~~admininstration~~administration. In June of this year, I officially promoted him to the role of Corporate Secretary, and also to head up our ~~corporate~~Corporate ~~governance~~Governance and ~~compliance~~Compliance support activities.

I do want to go back to Gina Bleck's accountabilities. We have regional offices, I think you all know. And you will notice that we have four regional offices and three brand new regional directors. We have reorganized those functions, again, to account for the change in emphasis toward project management.

And Neil Hodes joined us in February of '06. And in June he began to expand his responsibilities. Neil had the assignment -- some of you may know him from some of the projects he's worked on -- of special projects. That was a ~~uphamism~~euphemism ~~on~~in key issues for the projects that were in the most distress. Neil was our work-out guy. And I think he's single-handedly responsible for reinvigorating the projects in Newark, particularly Newark Science Park, and also Central High School, as well as

some others. Neil is now serving as the Acting Regional Director in Newark.

Larry Martin took on that assignment. He had worked previously in our West Paterson office. He is now in Jersey City.

Dick Kunz, who joined the Corporation in the Summer-Fall of '05, is heading up the West Paterson office; and is really heading up, on an acting basis, the winding down of the West Paterson office. We've announced that we're closing that office, both as a cost-saving initiative, but also to better deploy our field staff.

And our Trenton office is covered; currently—, while they're recruiting; by both Gina as well as Larry Martin.

I want to direct your attention to Page 7, and I want to spend a little time on Page 7 and the pages that follow.

In addition to being a different corporation, we are different structurally, we are different in terms of key senior management, we're also different in the way we approach a project. And the way to best illustrate this is to talk about what we call the project *life cycle*. And I love to talk about this. I'm going to apologize in advance if I go a little bit long. But I think it's important to understand how the Corporation functioned, and how we're functioning now;— not just because we like to think we're doing it better, but it illustrates the areas where, unfortunately, waste had been institutionalized in the day-to-day business of the Corporation.

The top line illustrates what used to happen -- those that show up in yellow. Below it, in blue, are the areas that we've changed. Quickly, what happened in the past was, DOE approved -- and you heard Assistant Commissioner MacInnes talk about this at prior hearings.—T -- they

approved projects that came in from the districts without prioritization, without a planning horizon. There was no thought of what could be accomplished ~~wihtin~~within a reasonable five-year period. There was no thought of prioritization within districts. Generally, what came in went out approved. And it got thrown over the transom to the old SCC.

The old SCC then started working on everything. Four hundred and forty-three projects were approved by DOE and were submitted to the SCC prior to July 2005, when all work stopped. The SCC began work on all but 134 projects. And those 134 projects is that last group that I've given to you before, that were sitting literally -- or figuratively on the window sills and in boxes at the SCC. The only reason they weren't being worked on was that the door closed. I mean, had the money not run out, had the money run out a week later, some of those 134 would have been started.

There was an effort, despite the best of intents, to do everything. You can't do that. Land was acquired without a project schedule. So as land was being bought, and capital was being deployed to acquire the land, there was no real sense of when that project would really start or what the needs were.

Projects were bid without 100 percent design. And as I mentioned before, buildings were designed without 100 percent of land. So of course there is going to be waste, and of course things are going to have to be redone.

Then projects got done without closeout, without commissioning, without lessons learned. We have finished a number of projects. We have finished scores of projects from a construction point of

view. These projects never end. I'm reminded of Brendan Byrne's comments that, when he died, he wanted to be ~~buried~~buried in Hudson County so that he could stay active in politics. These are projects that just never die. They don't even fade away. They just nag us. And, most notably, they nag the districts, and they nag the kids, because there are ~~punchlist~~punch list items that never get finished. We've tried to address that.

DOE, now -- if you direct your attention to the lower line -- reviews the long-range facility plans -- the ones that were filed most recently in 2005 -- and they work with the districts to create intradistrict priorities so we know what's important to the district, from their educational need, with a concurrence of DOE.

They limit themselves to a five-year planning horizon. What might reasonably be accomplished without consideration of money -- just realistically -- within a five-year period? That then comes to us. And we will be applying -- I'm using the future tense, because there are no new projects yet to do this with and no money to do it with. But we will be applying the prioritization methodology---_that I spoke about at the last hearing, that was the subject of the third interagency ~~working~~Working ~~group~~Group report, -- and we'll create a strategic plan.

An important new step -- it's the little blue box on the bottom that sticks out -- is project verification. When projects are approved by DOE, and they come to the SCC, there is not a whole lot of detail. It's things like: In District X, in Community Y, an elementary school is needed. Everybody agrees. Well, what does that mean? I mean, for gross planning purposes, we can figure out that that may be a \$20 million project. But at

that moment, we have no idea if the land exists, we have no idea what kind of design is needed.

The classic case has been that, sometimes, we got approval from DOE for a project that was described as a replacement of boilers and HVAC systems. When we start to go in there—, we found out, “Well, it was a little more than that, because they had to remove asbestos,” when we got in there. “And when we began to go into the walls, we realized there was a little more than that. And the whole wing had to be replaced because of structural deficiency, because of the age of the school.” And a project that was originally budgeted for, say, less than \$10 million, all of a sudden became a \$30 million budget —, which has impacts both on the capital budget, if there was one at the time.—A; a and it would have implications on the operating budget, if there was one at the time.

So while the project verification is going on, we then attempt to take whatever authorized funding is approved by the Legislature; and create a capital plan, and just start working down that list. And that list is created; first;: educational priorities; construction logistics; then what we call *district fit*, to avoid the problems of the past, like in Newark, where we have an elementary school that’s meant to be built in two buildings -- in parts, an upper and lower school -- where one half was approved and the other half wasn’t. It makes no sense. It creates enormous inefficiencies. So that will all be occurring there.

Probably the single most important operational change, besides not bidding projects before the designs are complete, and besides not designing before the land is under our control, is the establishment of project teams. And those project teams bring together, literally around a

table, with assignments and accountability, every function within the SCC that's going to be related to a project. It's going to bring in real estate; it's going to bring in project management; it's going to bring in FF&E; it's going to bring in legal; it's going to bring in the finance side; it's going to bring in project controls; and DOE; and, through collaboration, the districts. And a project charter is going to be created. We're going to know what the project is before we start, we're going to know what the schedule is. There will be a good old fashion Gantt chart that everybody is going to be held accountable to. And that project team then, as a team, becomes responsible for the execution of that project and making sure that the project is coordinated as we hope. We have launched that on a couple of projects now, projects that are just entering construction. And I call this our *field test*. We're doing our own lessons-learned on how best to facilitate that interaction. But that will be our standard operating procedure as we go forward.

And the penultimate box, you'll notice, talks about the project team coordinating all the aspects of the projects. And then we will be closing out projects, we will be commissioning, we will be training personnel -- particularly the custodial staffs at schools -- how to maintain this very sophisticated equipment that's going to schools now~~—~~₂, and make sure that that training is available not just at the time we turn the keys over to the building, but also throughout the lifecycle. We're now going to be recording them on video and doing other things.

The following pages -- and I only want to spend time on the ~~right-hand~~right-hand side of the pages -- illustrate a couple of implications of what happened. So first we take a look at the project planning. These are the same colored boxes you saw previously. And, again, it doesn't take a

whole lot of insight to conclude that we had 315 unfunded projects that were approved by DOE. Those are the stranded projects -- the 97, the 135, and ~~alike~~the like -- and that there were hundreds of millions of dollars allocated to those projects that are now stranded. They didn't have to be. It's over \$300 million of some cost that went to those projects, again probably with the best of intent to try to do things quickly. But Lord knows we ~~'looked at~~love to have that \$300 million today, and be able to put it towards building a few more schools and ~~excellerating~~accelerating the work -- design work we have on others.

We had no ~~wholistic~~holistic project budgets. I've talked about that. The cost inefficiencies are obvious. And without the project verification process, the management-- I guess it might have been easier then, because there weren't ~~wholistic~~holistic budgets.

Page 9 talks about the design and preconstruction activities. One factoid in regard to the acquisition of land is, we are now the proud owners of 260 parcels of land, worth just under \$100 million, that go toward deferred projects. Now, at the time those projects -- that land was being acquired, nobody knew what the status of the projects were going to be, when they'd actually start. Because of that, if you take the \$97 million in this land, you take the over \$300 million ~~(indiscernible)~~in sunk costs in other-of the projects, you're ~~talking about~~coming up with \$400 million that could have been deployed on current projects. Maybe some of the 97 could have been ~~more~~(indiscernible).--B; but that's \$400 million of assets that got deployed in a way that left it stranded.

We're going to avoid that in the future through the ~~wholistic~~holistic budgeting, through the project teams, and most importantly through this

strategic plan, where we're going to be sequencing in the projects and know what their schedules are. And I've already talked about the change orders.

Page 10 looks at the construction and closeout phase. On the ~~right hand~~right hand side, I want to highlight the fact that we are in the process, now, of rewriting all of our major contracts with vendors, contractors, architects, PMFs. The PMF model -- there has been a lot of talk about. I can tell you, and you've heard this from me before, that the PMF model for project management in the future simply will not be used, except on the rarest of ~~occasions~~occasions, when there is a compelling necessity.

I am a firm believer -- and I've known some of you, literally, for decades, and we usually find ourselves talking about public agencies or public entities which have run into management problems. And if I had to point to one root cause -- whether it goes back to the Bergen County CETA Program, which I did in 1975; through the BPU, through the DEP, and now here. It's when government subcontracts out essential services -- it runs into problems. ~~and~~And by establishing the PMF model -- again, no matter how good intended it was at the time -- the SCC was essentially subcontracting out its entire responsibility. And that was the job of the PMF.

Then, to make matters less clear -- but, again, unintentionally -- the SCC begins to try to manage the PMFs. So now you have people managing people who aren't quite clear what their responsibilities are, and the outcomes become obvious.

There was not only no accountability as to whether the projects were on time and on budget, but in fairness, there was no tool to know,

except at the very end. The PMFs weren't always held accountable for creating the project budgets that they had to create, and that was only on the construction side. We have initiated, and will be completing in the course of the next few months, the implementation of a real-time construction management tracking system that's used widely throughout the industry. It goes under the brand name of Primavera. I'm sure you've heard about this in the past. But this will allow us to know, literally on a day-to-day basis, what's happening out in the field, both in terms of time and money.

And the failure to capture lessons learned is just the SCC's example of the old ~~axiom~~maxiom that if you don't learn, you're going to keep committing the same mistakes over and over again. And in that regard, we did a very good job, institutionally.—: We committed the same mistakes over and over again.

— Beth Sztuk's group is now implementing a lessons-learned process so that during the course of any project, as lessons are learned, it's fed into Beth's group, who will then figure out the best way to disseminate that information throughout.

So Page 11, now -- as we begin to look to see what's the state of affairs today-- It goes without saying, but it's worth underscoring, that there is a need for -- to address the construction of school facilities throughout the state, not just in the Abbott districts, but also in the regular operating and vocational schools.

So I tried to think of a way I could put that into concrete terms. So on the ~~lefthand~~left-hand side, I tried to address the Abbott districts. We all know there are 315 unfunded school construction projects

based on the 2000 long-range facilities plans filed by the districts. Well, what does that mean in terms of dollars? If somebody said, "Let's quantify what the statewide need is today--"

In February -- in fact, it was the first public document that Barry and I were called upon to talk about -- the DOE did their annual report, and included an appendix₂ required by a Supreme Court order₇ where there was an attempt by the SCC to estimate what the cost of construction would be. I will say now -- we said then -- that I put absolutely no faith in these numbers. I didn't a year ago. Now₂ knowing what I know now-- The only thing I know for sure is that they're understated. I know that for sure. I also know that when the Department of Education finishes their review of the long-range facility plans, there will be a new list.

But just using this as a proxy₇ of the 315 projects that were stranded in July of 2005₂ based upon 2006 dollars₂.~~F~~t that means, if we could have started every project last year -- which, of course, we didn't -- it would have cost us \$12 billion as a ~~state~~State. And that's a minimum. I know the number is higher, because the Corporation didn't have the ability to effectively estimate cost on a going-forward basis. So it's some number in excess of \$12 billion, based upon prior needs.

We then, in that report, said, "Well, if it took five years -- if all the projects didn't start for five years -- it's \$19 billion as a floor." So I point that out not so -- and I hope the reporters that are here today don't write the story that says, "State's needs are \$19 billion, or \$12 billion." Because the fact of the matter is, we just know it's in the tens of billions. And it depends on how long it takes. And it is the best example I can think

of, concretely, to illustrate that time is money. ~~_just~~ Just by waiting five years, from 2006~~—~~₂ and going ~~on~~ out five years, the ~~_~~cost increased 25 percent. And we're talking about lots of dollars when you start in a base that's over \$10 billion.

The implication of all this is not that we just need money today. But we need to all commit ourselves to the recognition that this is a multistage, multiyear, if not generational program that is going to go on for some time. And the delivery method of support may change. The SCC, or whatever looks like the SCC, may not be here in some years hence. But there is a need that exists, and that need is not just limited to Abbott districts. The regular operating and vocational al school districts have a need also. And we tried to quantify that.

So if you look at the second bullet point on the ~~right~~ right-hand ~~hand~~ side, we note ~~that~~ that since September 2005₇, there were 71 referendum that passed in non-Abbott districts, ~~totally~~ totalling almost a billion dollars. And the State's share, based on the old formula, would have been just under \$300 million. What does this all tell us? There is a long-term need for school funding.

Page 12 talks about the need for legislative amendments. There is nothing new here. We've talked about them before. I've circulated reports that address these issues. I am in the process of scheduling one-on-one meetings₂ and have had the opportunity to meet with many of you in individual meetings and look forward to meeting with each of you to discuss this.

The important point I want to make is: While we are doing a lot at the Corporation, as I've tried to point out. ~~—T,~~ t there are some things

we simply can't do. I can change the management. I can make it more transparent. I can make it more accountable. I have the Board's support. We need governance changes. And only you can make that possible.

I can do all sorts of things about being more efficient in the purchase of land and real estate issues, but I can't prevent front running. I can't prevent developers from legally trying to increase the value of the property when they know that the SCC has come to town and is looking at their parcel. Because unlike the DOT, there is no moratorium on development approvals. Only you can enact that. We have talked about that in our third ~~working~~ Working group ~~Group~~ report. And we need your help now.

There is a need for legislative action, which we've talked about, and Page 13 again repeats the implications of nonaction. We all know these. ~~W;~~ we've all talked about them. And as Barry pointed out, we also recognize that this is not the only issue before the Legislature. But it's an issue that deserves and is demanding its time and attention for all the reasons set forth here. We need to do effective capital planning, we need to have the ability to carry on the projects. Even the group of 59 are now being threatened. Not that they won't be completed ever, but they're going to become more expensive. Delay creates additional inflationary impact. Time is money. It's very simple.

Page 14 I want to spend a moment on. Again, I discussed this at the last presentation before the Committee, but I think it's an important thing to underscore. In order to do the kind of planning we want to do, and in order to both develop properly sequenced, strategic plans, and also effective capital planning, we need to know that there is money that's

available beyond the current cash availability. We have enough cash left to continue working probably for a couple of years in order to finish the projects that can be funded. We do not have enough cash left to finish all 59 projects that were approved in July of '05, and I will talk about that in a minute.

What we need to be able to do is know that there is a commitment for funding into the future. And we have tried to time it based on another two to three years. That would then allow us to resequence projects and, frankly, take money that has been dedicated to a project like West Side High School, in ~~Newark~~Newark, that is not going to go into the ground for at least 18 to 20 months, because of other preconditions that have to be met; ~~---~~ use that money to fund projects that are currently stranded behind those projects; ~~---~~ and still know that we have the commitment. We need the authorization, we don't need the cash. We have enough cash for the next couple of years. It obviously has budget implications. It has capital planning implications, as Barry alluded to. So as we talk about that issue, we need to understand that the authorization that we're seeking deals with planning capability and knowing that the money is there.

I want to touch on two quick things, and then I'm sure you'll have questions on these. One is project ~~deferrment~~deferment. It was reported at our last Board meeting that we are wrestling with the question of: How do we manage the \$500 million to \$600 million deficit we face in our current capital plan? This emanates all the way back to July of 2005. And it's been exacerbated by emerging needs that have popped up, increases in demonstration projects, and ~~alike~~the like. We are committed to doing

this in a way that keeps as many projects moving as possible. Our underlying principle is to avoid starting a project in construction and not having enough cash to finish it.

Page 16 deals with our budget. The important thing about the budget is that while it did call and does provide for an increase of \$10 million in our annual operations, and did increase our staff, we did that in a way to identify at least an equal offset. In fact, we believe that that investment provides us with the opportunity, as spelled out on Page 17, to be able to demonstrate savings a year from now, in excess of \$24 million, through greater efficiencies in our project cycles, by ~~ensoureing~~ in-sourcing certain procurement activities, by potentially ~~in~~-sourcing safety services, our claims mitigation and our system of cost recovery will also bear fruit, and also a reduction in overall PMF fees, and reducing those fees to align with the actual services that are being provided.

I apologize for the time. But I think this is -- these are important points that need to be stressed.

And, again, I thank the Committee and its members for the opportunity to appear. And, of course, we'd be happy to answer any questions.

SENATOR RICE: Thank you very much.

I thank both of you.

Let me just say that you don't have to apologize for the time this morning. Your presentation, in my opinion, was excellent; one of the better presentations I've heard in a long time in Trenton -- but certainly on this school construction.

I would like to think, if my colleagues here really paid attention, I know they are of reasonable mind and good judgment. We have clarity in the process that has changed. We've seen through your work, over a short period of time, there is true accountability and a means to measure outcomes with the responsibility and the accountability.

I am going to ask some questions, but I also want my colleagues to know that we -- and I'm going to say this at every meeting if I have to -- we can't look at the school construction projects and the core mandate as Republicans and Democrats, and what time of the season we're in, and what sounds sexy to our voting public.

I think what your presentation did-- If you went into any community with that presentation -- ~~if~~ if the people were really caring people and they're in majority ~~---~~ about the growth of the academics of our young people throughout the state, regardless of where they live -- ~~H~~ Hearing your presentation, they would understand the need, ~~b.~~ But they would also understand that under your present process, money would be better accounted for, and the kids would get, in the districts, what they expect.

I also want my members to constantly remember that this Committee has always argued the case to fund where there is a need. And this is not "Abbott-district money." The courts never spoke to the other districts. But we had the good judgment and experience to recognize that there are other needs in districts that are classified as non-Abbotts. And we have always moved collectively. And so for those who may be new to the Legislature, or didn't pay attention while they were here, we want to make

sure those arguments don't continue to come up in this Committee. It is a balanced piece, recognizing the season we're in.

Also, I want to say to this Committee -- which really transcends itself back over to the Education Committee of both houses -- is that it's incumbent upon us collectively to ~~emplore~~implore the Governor to move forward to authorize the funding. We continue to play political games with it. We make excuses. We come and talk about accountability. Well, the accountability is set now. We're then allowing the legislative side-- The ~~admininstration~~administration has done what they had to do, Governor Codey did what he had to do--; the new Governor and the SCC. So we need to put all of that stuff behind us before we really get caught out there.

We're never going to lose in court. I want people to know that. For those who think that we're going to lose in court when it comes to serving the needs of these kids, that's not going to happen. What's going to happen is that the court process -- if we play politics with this -- it's going to constantly delay the construction. And as indicated by your presentation, those numbers don't go up in small numbers. They go up significantly by the time we get the projects. So the need is to address authorization.

The other thing, for the public and for my colleagues -- because sometimes I wonder if some of my colleagues, not on this Committee but in both houses -- understand the difference between infrastructure dollars and operational dollars. I get tired of reading the paper and seeing apples mixed with oranges. "Why are we going to fund the SCC? They did this with the money, and the schools need this." Well, that's giving the public the impression that if we have a million dollars in SCC for infrastructure, for capital, that they can use that money to buy textbooks. And that's not the

case. Abbott is very separate on the issue of operations and what should be in there.

So let's stay focused; when we talk about the SCC dollars and the need to authorize exactly what those dollars can be used for. And there's nothing that stays in my mind that takes priority to education. We can fix highways if we have to, we can do other infrastructure things. But if young people don't have good quality education -- and it's not going to happen over-night -- the facilities to get it in, then the highway is not going to make a difference. They're just going to be byways.

So, with all that said, let me get to a couple of questions before I have to leave.

You did speak in terms of the DOE.

And I'm going to ask Co-Chair Assemblyman Stanley to make sure, when DOE speaks to us -- whether it's at this session or another session-- Under the new organization process, in terms of how we go from Point A to Point B -- I like that. But DOE, once again, starts off first by reviewing the long-range facility plans.

I'd like to know what ~~criteria~~criteria they're using, Assemblyman, when you speak to them, as it relates to looking at the plans and creating those district priorities. Because I'm tired of hearing people on this Committee and others argue that often-times, "This track and field may not be necessary for this particular project." And I've said that in good faith, and I can cite examples of students that we have, who go to state championships, that have to practice on concrete out in the neighborhoods; -- like we did growing up; -- without equipment, when there is a field that

can be productive there. But that's something we have to continue to talk about.

I want to know just what MacInnes is doing, because he has his notion of how this works—A, a and he sells it to us. And I have my notion—- - I'm not going to let him sell me anything. I don't care who he works for. And I said that, for the record, to MacInnes.

I need to ask you-- The PMFs -- how are they going to be used in the future? It almost sounds like you're going to abolish them. And the question is-- I believe there still may be a need and a role for them.

MR. WEINER: There is a need and a role for assistance to supplement our staff in various stages of the project development and delivery process. The PMFs, as they were originally conceived, did everything from the moment a project was conceived, including working with the school districts. They were the face of the State to school districts. They did everything.

What we're doing now -- and we have just concluded a comprehensive study of all the functions that a PMF did do, those that we think -- areas where we need the support—- - I'm trying to stay away from the word *PMF*. And what we anticipate, Senator, is, in the future, that project team making a determination of what's the best project delivery method for that particular project. It may be a district-managed project. It may be a project with a construction manager -- not a PMF, just somebody who can come in and help (indiscernible)ride herd on the contractor. There is a model, as you know, called Construction Manager at Risk, where the construction manager actually takes some financial risk and reward for the delivery of that project on time and on budget.

_____The one I'm most keen about, frankly, are public-private partnerships, where in order to address the scarcity of land, we are now, I think, as a statewide community -- need to think about ~~the the query~~ query: Does every school that's being built have to be built as a stand-alone structure, on a separate piece of land? Can it be integrated in as part of a residential development, ~~(indiscernible)~~ a multi-use development? And, if so, what role might that developer or contractor have in delivering the school?—? And, in some cases, around the country, even operating the school on behalf of the community --- operating in the sense of not teaching, but making sure the temperature is right, the HVAC system is working, and cleaning the building.

So each project is going to get its own determination, and it's going to be a determination made by the SCC, with the ~~input~~ input from the districts and the input from all the stakeholders who are involved in management of a project to determine what that method is. So we're not throwing it out.

And a key method that has been overlooked over the years is management, or partial management, by the districts themselves.

SENATOR RICE: Thank you.

Also, if you could make a note, staff and Assemblyman, when DOE comes in, I need to know how long it's going to take them to do these long-range facility plans?— I mean, they get them there. Do they have enough staff? Is it going to take them forever? Because that's also a slow process, getting from DOE to SCC. And by the time SCC gets it, the cost has gone up. And they can't make real decisions. So those are two questions I need answers from DOE on.

ASSEMBLYMAN STANLEY: Sure.

SENATOR RICE: Let's talk about the organization chart. You know, there's been criticism as to the background of some of the people in construction, versus corporate, versus management. But it seems like you're on track, because you have a management model. And I understand that -- for somebody to have to know something about construction too, now.

MR. WEINER: Yes.

SENATOR RICE: But the question is-- I'm not even getting into that.

Can you send us the résumés and backgrounds on those people?

MR. WEINER: Sure.

SENATOR RICE: And, also, can you tell me -- because I can't tell when you don't put pictures on-- Can you give me the diversity? Because we're talking SCC, and we're talking about this human cry that we continue to argue -- that there has to be women and minority participation. I was able to determine the two women in the structure, but I could not determine African-American or Latino in the structure. Are there any in that organization structure?

MR. WEINER: On this chart there is one individual of color. That's Larry Martin. It is not a situation that I'm particularly content with. And we are continuing to press to diversify at all levels. We have greater diversity, frankly, at the lower management levels, underneath the senior management level. We are meeting with some community groups to help assist us in our search. We are actively recruiting for a chief financial officer

at the present time. And it is my hope that we will be able to find somebody who will help diversify our senior management team.

SENATOR RICE: I would like to think that we're beyond the notion, in government, that people of color can't run this organization, people of color cannot -- I'll do this job if the Governor gives it to me, because you're talking management skills. That's what you're talking about. And it seems as though people of color -- and that's what I'm speaking -- and women and minorities in some cases -- traditionally have to be subordinate to everybody. In the Legislature, I find it's the same thing sometimes. And I have to remind the Governor and them, I'm not their subordinate, I'm their co-equal. It sounds like arrogance; but if we don't push our way through the glass ceiling, it's never going to happen. So I'm not being overly critical, I'm just putting you on notice. I don't care what they said about Affirmative Action. It's needed. Whether we have the law or not, you have to make it happen.

And that's one thing I will fight anybody in the Legislature on. That's an argument they'll never stop me from, if I don't get cooperation.

I just wanted to look at that.

MR. WEINER: Yes, and let me share the observation that the commitment exists, and the results speak for themselves. But it isn't, at least in this administration, a concern about capability. It is being able to be competitive with offers. Because the reality is, men and women of all skills, of all diverse backgrounds, who could take on these senior management positions, have competing offers from the private sector that make the opportunity in State government seem less attractive. And those of you who are sitting in the Assembly and in the Senate, all of us who work

in State government -- there is something inside of all of us that moves us to contribute in this arena, to be part of the government process. Some of us do it -- people do it at different times of their lives. It is a difficult recruitment. And I hope that anybody who is listening to this, and all of you who are up there -- we are recruiting, as you can see, for a CFO; we're going to be recruiting for some regional directors. And I will take all the résumés from any source that we can get. And I invite the help. Not just for diversity, but just for good, solid management.

SENATOR RICE: Let me go on record and say, when you view African-Americans -- I'm speaking for people I know best -- the Legislative Black Caucus and others-- When we argue minority participation, we are talking about people capable of getting the job done. And some folks like to use it as an excuse. And we're going to start to hammer back on this, because it's starting to be embarrassing.

I do understand what you are saying. But I'm the senior person here. With Senator Gormley leaving, I think I'm the fifth senior Senator in the state. So I've been around a long time -- I know how this works. And I also know how people smile and patronize us in the administration, and some of my colleagues on the legislative side too. And nothing ever happens. So one day I won't be here. But on my way out, I'm going to look back and say we made something happen, because people weren't biased. They were looking for quality. They know that diversity is our strength, and that Ron Rice is not a racist for raising it -- or no one else that looks like me.

Moving forward on diversity, will you make sure, when you go out there looking for your demolition people-- There are not a lot of

minority demolition firms around, but there are some that the old boy network -- and I know the old boy network well. I can name every last one of them in this state. They continue to knock out the minority demolition firms, who have to do a better job because they're monitored better. I think there's two or three of them still around. Look to see. And if they can't do the job, don't give it to them. But if they're capable, have the equipment, got the bonding -- you know, the routine stuff. But help them with the bonding if you have to -- make sure that they are available.

That's just to keep some public record here. I like the media to write some of this stuff sometimes. This way, there's no question about what I said. People misinform--

Going to a couple more questions, and then I'm going to be out of here and turn it over to the Co-Chair.

Is there any proposed language that you may have for us, dealing with the reorganization or the organization changes in the Schools Construction Corporation?

MR. WEINER: Yes, we've shared a memo with some of you and your staff. I usually do that at the course of a one-on-one meeting. I think I'll be meeting with all of you within the course of the next week or two. So what I would like to do is-- I can go over the memo at the time. But we do have something. And I know, frankly, the Governor's staff is also working with your staffs on that issue.

SENATOR RICE: Okay.

This is an obvious question, but I need to have it for the record. What are the consequences that you see, if the legislators fail to really act

on this in a hurry, for school construction reauthorization? And I think you mentioned it in your presentation, but I want the record to be clear.

MR. WEINER: The programmatic changes will not allow us, collectively, to achieve the kind of accountability and transparency we want. It will perpetuate situations of potential waste, like on land acquisition. It will inhibit improved governance, like the new structure of the Corporation. It may inhibit the use of some of the alternatives to the PMF model, because I think we need expressed statutory authorization to enter into some of the more innovative tools, like public-private partnerships.

In the area of dollars, quite simply every day that we wait to fund a project, the cost of that project goes up. On an annual basis, a good estimate is 7.5 percent to 10 percent a year. We're just increasing the bill for ourselves and for our children. We can't do projects. We're going to be faced with the curtailment -- or the deferral, really -- of projects that are currently on the list of 59. Communities who thought their project was funded through construction in July of 2005 will find out that it's not. And rather than being able to deliver 59 projects in the course of the next couple of years, we'll be delivering some smaller number.

Now, I want to be clear, I'm not being coy by not being able to provide the specifics today. We have a group of people dedicated to drilling into every project, so we understand each of the milestones. We are organizing them and sorting them on educational priority. We're understanding the construction logistics. Our goal is never, ever, ever to start a construction project that we don't have the funds set aside to finish, including contingencies. Our second goal is to try to advance as many of the 59 projects through design as possible, so that when money does

become available -- because I'm among those who believe money will become available one way or another, at some point in time -- the need is obvious, nobody has ever said there isn't a need -- that those projects will be ready, literally, to go into the ground.

I will be meeting with members of my Board over the course of the next month to review some of the options. And I suspect later this Spring, we'll be in a position to discuss, with the Board, a couple of different detailed scenarios of how to manage the \$600 million deficit.

SENATOR RICE: Two final questions: One is, I've received the latest update on demolition, regarding Irvington and Newark projects -- December 30 and, I think, January 11. Can you-- Is there any update, in terms of the rest of the state, in terms of demolition? I believe Gloucester County has some concerns. There may have been a couple of other locations that we didn't receive updates on.

And while you're answering that, could you also tell me what's happening up in Phillipsburg, with all those trailers up there? We've got to get that project straightened out. I think that project is costing \$50 million more than it should have because of the way it was set up. And there were some questions, in terms of Abbott versus non-Abbott, how much they would pay. And we thought they would pay the whole amount -- we thought the whole amount would be paid through Abbott. So where are we with that?

MR. WEINER: First, on the statewide demolition report: I'd like to think that we have our management hands around each of those demolition projects, even in the absence of on-call demolition. I will confess to not being fluent in all of it. But we will send something over

later today, giving you and the Committee members an update every place we have a demolition project scheduled, and what the scheduling is, and if there are any issues.

On the issue of Phillipsburg -- you hit on the key issues. First of all, Phillipsburg -- and the project in Phillipsburg -- is among those that are stranded. There is currently no funding available for Phillipsburg. It's in the group of 97 -- those that were closest in the queue to start construction. So it is a likely beneficiary, should additional funding become available after the statewide prioritization is done.

For those that may not be familiar with the situation, what you're alluding to, of course, is the fact that Phillipsburg is a receiving district -- sending-receiving district -- and that over 50 percent of the students that will be attending the new high school will come from outside of Phillipsburg. That's neither a good thing or a bad thing. It is just a thing that could have implications with respect to how the project is funded.

Lastly, in terms of the trailers, we are working with the district on that situation. But the core problem is, without money nothing happens.

SENATOR RICE: Thank you very much.

I apologize to Committee members. I've got to try to go and do what the Assembly did recently in my House. (laughter) So, certainly, the Co-Chair is going to take over.

Thank you very much.

ASSEMBLYMAN STANLEY: Thank you, Co-Chair Rice. We certainly are indebted to you for calling this meeting, and setting up all

these witnesses, and then leaving. (laughter) I'll make sure I return the favor when I call a meeting next month.

But it's certainly something that we have to get on right away. And I know Assemblyman Diegnan has a question to ask. I recognize Assemblyman Diegnan.

ASSEMBLYMAN DIEGNAN: First of all, Scott, thank you for your service. You have taken on a job that you knew coming in was going to be nothing but headaches. And you're doing an outstanding job. And on behalf of all the citizens of the state--

We all know, in the private sector, what your value is. But to dedicate yourself to the State of New Jersey is to really be commended.

MR. WEINER: Thank you very much.

ASSEMBLYMAN DIEGNAN: I just want to put that on record.

I have two questions. Actually, Jen also has these same questions, so I will steal this question from her. (laughter)

The \$1.4 billion in committed projects -- let's just deal with that one first. Has there been a reexamination of the priority and legitimacy of those projects? And you agree that the list, as it now exists, is what it should be?

MR. WEINER: I think what you're referring to is the euphemism -- what we call the List of 59 projects; that was created in July of 2005. I think -- address what I think are two questions.

In terms of the legitimacy of the list: Yes, I don't think anybody questions the legitimacy of the list. I think it was an initial attempt by those then in management to create some prioritization among

the projects that existed. And it's not a black-box process. I mean, you just don't put them in and you get a neat sequence out. There are all sorts of subjective criteria: knowing what goes on in a district, what we call *district fit*, and the special circumstances. And the List of 59 projects was done.

Now, if there had been more money, more projects would have been listed, and you could have done a better sequencing. So my commenting on the list is not meant to be critical, but meant to be illustrative -- illustrative to the fact that there are important projects that are stranded.

In our third Working Group report, we pointed out that there are 27 projects in the group of 97 -- this first tier of stranded projects -- that have a higher educational priority than those in the 59.

ASSEMBLYMAN DIEGNAN: And what would the cost of those 27 be?

MR. WEINER: About \$1.2 billion, roughly. Don't hold me to that, but it's over a billion dollars.

Now, there are other projects behind those. There are new projects that have popped up. So our point is: there is a need -- there is a current, pressing need. And in making choices of what goes into the 59, people had to make choices. One day somebody could take a look at the choices our methodology provokes and could second-guess those too. So I don't want to do that. We think we've made the methodology more robust, and we've certainly made it more transparent.

The second question, if I may, Assemblyman, that I think you're asking is: "Well, back in July of '05, there was \$1.4 billion; projects were identified. How come there is a shortfall?" And the answer is: The

day that the group -- that List of 59 was adopted, it was in the black -- excuse me, in the red. It was short almost \$500 million the day it was adopted.

Now, it wasn't because anybody was hiding information. It wasn't because anybody was trying to be coy. It wasn't because anybody was doing anything improper, other than the fact that nobody knew the cost of the projects. They just didn't know it. It's that simple. Because there wasn't a holistic budget, because nobody added them all up, because nobody reforecasted inflation and said, "Well, it's July of 2005, but we're not going to be bidding this project until 2007. So how do you factor in three years of inflation?" When you add up all that misdata, it was close to \$500 million.

ASSEMBLYMAN DIEGNAN: Here's my point, and I'm going to ask a follow-up. Everybody acknowledges there's a need. But, conservatively, we're looking at \$4 billion, maybe \$6 billion. We need an additional \$1 billion to \$2 billion for a new school aid formula, we need approximately \$2 billion for property tax relief, we need another \$500 million to even begin to properly fund charity health care. Somewhere, someone has to look at this entire picture and say, "Where is the money going to come from?"

If we, hypothetically, as a Legislature said to you, "Scott, here's a billion dollars that we're going to commit today. You're going to have to look at these 59 projects, reprioritize them, and then we will consider, down the road, a commitment of additional funds," is that just being -- and I'm giving you kind of a little bit of a curve ball. Is that being reckless, is that being reasonable? Can you live with that type of a proposition?

MR. WEINER: Before I answer the last question, which is whether or not we can live with it, let me talk about the implications of it.

Any amount of money contributes to addressing the need, which is in the tens of billions of dollars. In order to do the kind of comprehensive planning that we think everybody wants -- in terms of really sequencing projects; not abandoning projects that have already been started, because each of those 59 projects have started in some degree; and getting the priority projects moving as a next tranche in the Abbott program -- we believe the number is \$2.5 billion. If the Legislature and the Governor, in their wisdom, say it's some number less than that, we will take that money, and we will deploy it better than anybody else could. On the non-Abbott side, there's a need that's also large.

So are you being reckless? No, I don't think you'd be being reckless. But I think the best approach -- in terms of achieving the kind of management you want; the kind of planning that you, and your colleagues, and the people of New Jersey demand -- is to provide the \$2.5 billion that will allow us to fill the gap, finish the projects that have been initiated, go into other priority projects, and begin a real process of both planning, reporting back to the Legislature. We anticipate coming back to the Legislature every quarter, with a quarterly report of what's going on. And then, quite frankly, coming back some three years hence for the next tranche after that.

The question of planning I'm going to refer to Barry, who addressed that earlier.

MR. ZUBROW: Assemblyman, I think in my remarks -- and I recognize you came in late -- I think that we very much recognize the

various competing fiscal needs that you allude to. And what I said was that we think this really has to be addressed in light of a comprehensive, overall asset liability plan for the State. And, ultimately, I think that in order to help solve the types of questions you're raising we all have to collectively think about: Are there places where we can redeploy capital from assets within the State into some of these other very important, very needed areas that you allude to?

ASSEMBLYMAN DIEGNAN: Well, I was really excited--

And I'm sorry, Craig. I know this is more than one question.

I was really excited by something that Scott alluded to, exploring private-public partnerships. And in one of my towns, Edison Township, they reached a realization that probably they're not going to be eligible for some of this money in the foreseeable future. So they are exploring the lease-purchase option.

Now, is-- First of all, what's the term -- do you know offhand what is the term now for a lease-purchase -- the payback term? Is it 10 years? Does anybody know? Is it five years?

MR. ZUBROW: It can vary.

MR. WEINER: It can vary. Right now, there's legislation pending, I believe, that would increase the lease-purchase time frame permissible for a school district.

ASSEMBLYMAN DIEGNAN: I think that's mine.

MR. WEINER: Yes.

ASSEMBLYMAN DIEGNAN: And that's the reason why. Because the way it is now -- five-year payback -- it's just unrealistic. Nobody-- And I believe it's been discouraged. And the reason it was

discouraged is because boards used to use it as an end-around, instead of going before the public.

But maybe with this dilemma that we have here -- especially for the nonpriority list -- this is something that we can explore as an opportunity. I mean, I look at the Newark experience. If we could get Prudential involved with maybe constructing some schools in New York -- in Newark -- excuse me, and lease-purchasing -- entering into a lease-purchase relationship with the school district, this could be an innovative way to deal with this need; and then give the State the opportunity to pay it out over 20 years, as opposed to having this immediate need. Maybe it's something we could put on the table.

MR. ZUBROW: And, Assemblyman, this is a very good example of, albeit, not a major, but an important change in the legislation that we've talked about where, under the current legislation, the SCC is not authorized to engage in any school construction projects that have a mixed use to it. So in lots of situations, there may be co-development opportunities, or ways to help fund school projects through other co-development. And we're not allowed to engage in that.

ASSEMBLYMAN DIEGNAN: You made recommendations for legislation?

MR. ZUBROW: Yes.

MR. WEINER: Yes.

ASSEMBLYMAN DIEGNAN: Okay. That's it.

I'm sorry.

ASSEMBLYMAN STANLEY: Thank you.

Assemblywoman Voss.

ASSEMBLYWOMAN VOSS: I just want to commend you on the wonderful presentation, because it's clear, and we can understand it.

And I just want to ask: All of the recommendations that you have on Page 12 -- need for legislative amendments, everything on this-- And I think you just answered my question. Because I've always been very interested in developers' agreements. And you just said there are no -- there's no ability, at this point, to enter into any of these. So this would be a piece of legislation, I think, that would be very important.

However, how would this impact on the municipalities? Because usually, you know, municipalities engage in developers' agreements. And would you clarify that for me?

MR. WEINER: Yes. One of the things we want to do -- and that may have been included as one of the bullet points, because our recommendations extend beyond that page -- is to bring municipalities, governing bodies, and school districts closer together in the planning of educational facilities. Some districts and governing bodies do that very effectively today, some don't. The simple illustration is-- We believe that the municipal planning process that leads to a municipal master plan should expressly include a requirement to consider and identify sites for schools. It can also expressly identify -- because now the governing body is involved -- areas for public-private partnerships. This goes beyond the traditional developers' agreement. And this would really be -- make it simple -- the school district and the developer or redeveloper coming before the governing body with an integrated plan that might provide for housing and a school; housing, and commercial, and a school; any combination like that. That's a very important role for the municipality. And we believe that

things can be amended in the Municipal Land Use act to help initiate that dialogue and the mutual planning.

ASSEMBLYWOMAN VOSS: And just one other thing, because the land acquisition-- What is in place, at this particular point in time, to make sure that the land that is acquired is not contaminated or doesn't have to be made acceptable to build something on? Because there were several instances in the past where either land was completely inflated, in terms of its price, or it was contaminated. And do we have anything in place, right now, to prevent that from happening in the future?

MR. WEINER: Yes. There were some situations in the past where land was acquired and the Corporation relied upon representations -- sometimes from public agencies -- that the land was not contaminated, and we later found out that it was. Again, I don't know that it was necessarily bad faith by municipalities. I think that when we went in to start building, and began to do some testing, we found -- everybody became surprised.

We've now moved that screening much earlier in the process, so we'll know what we're acquiring at the time we acquire it. And that can be factored into the decisions -- whether or not a site is appropriate. Any site can be remediated to make it safe for a school. The question is whether or not it's the best use of funds, because we could be given alternate sites that may exist within a given municipality or a given school district. As I said, sometimes that issue was discovered before -- too late to do anything about it except pay. Now we're moving that earlier in the process.

ASSEMBLYWOMAN VOSS: And just one other thing. I was interested in the use of the word *stranded* several times in the course of your

presentation. Does that mean that the money went south, that it is just completely gone?

MR. WEINER: No, what I meant by that was 300 -- over 400 projects were identified by the DOE as having a real need, current need, in all of the school districts. These are Abbott school districts around the state. And for all the reasons we've all talked about, there wasn't enough money to do all those projects. So 300 -- over 250 of them have been started, to one degree or another, and then stranded. These are legitimate projects. We ran out of money. My predecessors ran out of money. And now they're there. A need exists, that project is legitimate. Some of them are literally on the cusp of construction. And by making additional dollars available, through authorization now, we'll be able to start work on that. Because that could start work on a project that's stranded. We'll throw it a lifeline and get it off the island, if you will. And we will get into construction by using today's dollars -- the cash we have today. Because I know that the project that is expecting those dollars will be funded through the authorization when it's really ready for construction.

ASSEMBLYWOMAN VOSS: Thanks. Thank you very much.

ASSEMBLYMAN STANLEY: Thank you.

Scott, I was just wondering about the issue you raised about the land acquisition and design. It's almost the chicken and the egg. I don't know. Maybe, maybe not.

But you were saying that there were designs made before the land was acquired. So if you designed it, and then needed to acquire land, you may run into a problem if you can't get all the land you need. How do you-- But I guess the converse can be true. Can you make a -- can you do a

design without knowing how much land you have, in other words, land acquisition? So I was just curious about that.

And also, with respect to setting aside land or mandating that towns set aside land for schools, is that something that we need to look at -- maybe a community-type master plan, those kinds of things?

MR. WEINER: The answer to the latter is, yes, that's the provision we want into the master plan. I will confess, these are my personal views. And I confess to having served five years on the Fort Lee Borough Council. I have-- So I still have some municipal DNA in me.

You can drag -- and this is my view. I think we can drag school districts and municipalities to the table to collaborate. And we're going to be suggesting some amendments that do that, through the use of the master plan, through inventory of all municipal- and district-owned land; and asking both entities to identify not just the vacant land that they own or control, but that land that they would consider available for new school facilities. And if any parcel is not considered available for a school facility, ask them to publicly say why not. And those processes, I think, will make it more transparent and will bring recalcitrant collaborators to the table.

ASSEMBLYMAN STANLEY: The other question I have, real quick, is with respect to the lost resources due to waste, fraud, and mismanagement. How much has been actually recovered? And is there more that we expect to be recovering?

MR. WEINER: We have, as I mentioned-- We've initiated recovery actions in that area in excess of -- including today -- \$5 million. We expect to be recovering much more. I hesitate to set a goal. And I would carve out fraud as a separate area. Because when you get into areas

of fraud, you are then getting into areas of criminality. And that's in a different agency, as we discussed at the last hearing. But I know that there is active work going on.

The other area that's related to this is the area of the negotiation of claims. Different parties, contractors, PMFs, subcontractors have claims against the Corporation as owner for delays, for additional work. And we have claims against them. These sometimes don't rise to the level of lawsuits. We have established a mediation process in the past few months, which is working very well. Before, everything was stalled and nothing was decided. The goal that John Clark, as Chief Counsel, has taken up is that the companies and their attorneys, at the very least, will be able to say we have a process that's predictable, it's fair, it's efficient, it's transparent. And we have very professional mediators, former judges -- all people with construction law backgrounds -- helping us mediate those cases. In that process, we are making claims against those third parties, also, to recover money. So if you include those in, we're probably well in excess of \$10 million today, in terms of total recoveries, and expected to continue.

But I want to be very clear that I don't expect ever, ever, ever to be able to recover all of the waste. And it's not because anybody is being let go free, it's because of what I call *institutionalized waste*. When you don't have budgets, there's waste. There's nobody to go against. When the law allows the owner of a property to commence applications for development approvals before we can acquire the property, thereby increasing its cost in condemnation, it's perfectly legal. It's unnecessary, it was a waste. Where a municipality, without any guidance-- I mean, I wouldn't want to be a mayor who is faced with this conundrum: "So I have two pieces of

property. One, I need for ratables -- I've got to bring in taxes. And the other is going to go to a school. Now, which am I going to do which with?" And there has been a lot of criticism of the mayor or the governing body that takes the clean piece, in my hypothetical, and gives that out for development -- for commercial development -- to bring in a ratable quickly, while passing off to the State the responsibility of cleaning up the contaminated property.

I'd ask anybody who may think of being a mayor or local elected official-- That's a real conundrum. I don't think we, as a State, are always very clear what the rules of the game are. And the approach of the SCC, previously, was just to do everything. So if it worked, it worked.

Among the things we want to do in the land acquisition piece is build in criteria. How do you make those decisions? What is the role of the State in the cleanup of contaminated properties of a school? These are all fair questions that we look forward to having the opportunity to discuss in the drafting of a piece of legislation.

ASSEMBLYMAN STANLEY: Thank you, Scott.

Assemblyman Wolfe, and then the Assemblywoman.

ASSEMBLYMAN WOLFE: Yes, I'd like to compliment, also, Mr. Weiner and also Mr. Zubrow for their presentation, and also for their charts.

I do have a number of questions. You did provide us -- or we were provided with a list that says, "Projects in construction as of July '05." There's a lot of projects on there. There's a lot of columns: the district, the school name, the type, and the status. Would it be possible, also, to provide a column for us of the cost to finish those projects?

MR. WEINER: Oh, sure.

ASSEMBLYMAN WOLFE: Thank you very much.

The other issue is: I know we've met several times before, and the issue of required legislation, amendments were -- amendments to statutes were mentioned. And you do have two pages here of some topics. Have you or will you be furnishing more boilerplate information to the Legislature so we can proceed with whatever you need to--

MR. WEINER: Yes.

ASSEMBLYMAN WOLFE: --do your mission?

MR. WEINER: Yes.

ASSEMBLYMAN WOLFE: I think that's important, because we've heard this before.

The other thing I have a question on, really-- Assemblyman Malone, who is not on our Committee but is on the Education Committee, spoke-- I spoke with him yesterday, and he indicated, I would say, the same thing. In previous discussions with you, he had asked for a list of employees prior to -- I think he said prior to '06, and also after '06. Because you've listed a lot of problems that existed prior to '06 in your strategy -- hopefully will not be dealt with -- be dealt with in a different way. So I think it would be interesting to see who was there, and is still there, and who is new, and really what they're doing. I think that would be important.

MR. WEINER: Sure. That information-- And I met with the Assemblyman a few days ago. That information is all, obviously, public. We're trying to work out an agreed upon format, just so we're getting the right information.

But I would want to point out that the Corporation, today, has 270 employees, plus or minus. These are good, hard-working people. Where responsibility has to lie, in the first instance, is in the senior management team. And the point I wanted to make to you and your colleagues is, it's a different senior management team. But that information about who is doing what job, and the like, we'd be happy to provide.

ASSEMBLYMAN WOLFE: Okay. Thanks.

I just have a few more questions.

MR. WEINER: Sure.

ASSEMBLYMAN WOLFE: In October, you indicated, basically, your frustration with the fact that there is a process for long-range facilities plans that preexisted and does exist. And you indicated at that time that some of the districts really weren't cooperating and that there was a deadline of October '05, when they had to have their plans submitted. And it's now 16 months later. And I think I find it here that six districts have submitted completed plans, 22 districts are in the process of completing their plans. Camden, it says, is frozen out by contractual disputes with its consultant. And two districts, Harrison and Irvington, have not submitted any plans.

Now, how can you-- How can we criticize you for not doing your job, if the districts aren't cooperating with you? And you're the ones who are telling the Legislature they need more money and they can't get things done. I mean, what can we do -- or what's being done to get these people to-- Maybe this is a question for the Department of Education.

MR. WEINER: Yes.

ASSEMBLYMAN WOLFE: I mean, if there's a deadline, there's a deadline.

MR. WEINER: Yes, it is.

ASSEMBLYMAN WOLFE: I mean, 16 months.

MR. WEINER: Yes, it is.

And I would respectfully suggest that you raise that with the Department of Education.

ASSEMBLYMAN WOLFE: Okay.

MR. WEINER: Having said that, we're not sitting idly by during the face of the delay. And what we are doing, and what the Department of Education has agreed with -- particularly in the larger districts which have the greatest need, both in terms of pressing, as well as quantity -- that although there may be data missing, and although the DOE may need some information where they can put their final stamp on a plan, it's our premise that we sit down with the district. We'll be able to begin to identify those projects that are high priority, under any scenario.

And, in fact, we have had those kinds of meetings with Jersey City. We've had one with Newark. We're about to have one with Paterson next week. And we're going through all the major districts, which will give us the data to begin to do the kind of planning I allude to, even where there are some delinquent districts.

ASSEMBLYMAN WOLFE: Right. But delinquent districts are still delinquent.

MR. WEINER: I understand.

ASSEMBLYMAN WOLFE: Okay.

MR. WEINER: I understand.

ASSEMBLYMAN WOLFE: My last question is-- I want to follow up on something Assemblyman Diegnan asked before about the public-private partnership with schools. I had a recent conversation with somebody, and I think this is what they said: that there were several schools in New Jersey that have been built as a result of impact fees. I know we don't have impact fees, but some developers have agreed to build some schools. Are you aware of that?

MR. WEINER: I'm aware that developers have either agreed to contribute to schools or to build schools. This is the next generational step, particularly in projects that are directly State funded.

And, again, the example I give is a developer who might come in and go to a school district and say, "We're about to put so many hundreds of units of housing in a community. We understand that there is going to be a school that is needed today, or may be needed in part because of this. We want to integrate that into our plans."

The school district officials I've spoken to, particularly in the larger urban areas, are ecstatic about the option. Because there is very little land to identify in the first instance, and what land there is, is prohibitively expensive to be dedicated solely to a school.

As Barry mentioned, we need some legislative tools to do that. We look forward to it. And there are all sorts of models. This goes beyond impact fees and developer agreements, into what Assemblywoman Voss, or I think some others -- sometimes goes under the acronym of BOOT -- build, own, operate, and transfer -- which is a lease-purchase, as Assemblyman Diegnan mentioned. There are all sorts of options. And there's a role for the State, there's a very big role for the municipality and the school district.

And, today, we can't take -- we, as a State, can't take advantage of those opportunities.

ASSEMBLYMAN WOLFE: That's a great idea. Thanks very much. Thank you.

Thank you, Mr. Chairman.

ASSEMBLYMAN STANLEY: Thank you.

Assemblywoman Beck.

ASSEMBLYWOMAN BECK: Thank you.

Chairman, President, thank you. I appreciate your presentation. I do think it was thorough. And I think many of the issues that we're facing, obviously, are not your doing. I understand that you're making your best effort to make some corrections to some pretty egregious problems.

I just want to talk for five seconds about the big picture, and then I want to talk for two seconds about my district.

In the last couple of weeks, we had a report that 38 dead people received almost a million dollars in funding in our four State-operated districts of Newark, Jersey City, Camden, and Paterson. There were other egregious incidents: funding of a jukebox, etc. And let me tell you how that's received in the Borough of Freehold. The Borough of Freehold should probably be an Abbott. We are over capacity by 270 students. Our T&E funding is \$7,500 per student, a thousand dollars less than what the State wants. The State's come in and mandated that they fund them at a higher level, and they can't because of S-1701. We have preschool kids that are being educated in the basement of a church, 30 kids in a classroom. It's horrible, absolutely horrible.

And when I look at the plan you have laid out, I understand your task. But I have 16 towns that also have school construction needs. And I think what I heard you say was maybe there's \$286 million in there for us, maybe not. But we're talking \$19 billion, we're talking \$2.5 billion. And I don't see any funds for the non-Abbotts. And I have to tell you that, while your primary task might be the Abbotts, part of your task is also those 580 other school districts.

MR. WEINER: Oh, I agree. And if I may respond, because I may not have been clear.

What we've recommended -- and I understand that some people may think this is not enough. But in the \$3.25 billion that's been recommended by the working group, \$750 million is targeted toward non-Abbott districts. The \$200 million, plus or minus, I mentioned was money that might become available through projects that never went forward. So if you combine those two -- the new authorization that we hope to receive for non-Abbotts, as well as recovered moneys, if you will, from projects that didn't go forward -- we're approaching a billion dollars. It is our belief -- and I want to be very clear about this -- from the corporate point of view, that there is a need that's statewide. There is a statewide need. It isn't limited only to the Abbott districts. And as a State, we have to wrestle with the question of: How are we going to, as a State, provide support for the construction of much-needed school facilities throughout the state? So we agree with you.

A model had been created by many of our predecessors six years ago. And we've made some suggestions on how to improve that model --

even the non-Abbott districts -- in the Working Group report. So we don't disagree.

ASSEMBLYWOMAN BECK: Thank you.

And with all due respect to our Chairman, I do -- I ran track and field, so I understand the value of a track. But I will tell you, that is not well-received in my 16 towns, when they just laid off their language supervisor and their math supervisor in our schools. So a track is a very low priority, as far as they're concerned.

I have a series of questions, just based on your presentation.

And it--

ASSEMBLYMAN STANLEY: Well, since you made the reference to the Chairman's district, that's also my district-- And the fact of the matter is that you can have a facility that's, in fact, dangerous. It can be very problematic.

I'm not discounting the needs in your district, Assemblywoman. But I don't think it's fair for you to sit there and minimize the needs without knowing what's happening in other districts. So if you want to speak with respect to the needs in your district, that's perfectly fine. But do not minimize the needs in other districts that have been shortchanged for over 30 years, probably before you were born. I mean, you look very young. Maybe you're not 30, but-- (laughter) But, I mean, let's not get into a situation where we're minimizing or demonizing districts of need to promote our own either self-interest or our own districts.

Now, I think you raised a good point on your district's needs. I think we ought to stay on that.

Thank you.

ASSEMBLYWOMAN BECK: Thank you, Chair.

I'm certainly not disparaging districts in need. I just want to point out the inherent unfairness of the system we have, Abbott versus non-Abbott. It should be school districts, period, without that divide.

The first question I had -- it sort of goes back to the 315. And basically what I heard you say was, it was first come, first served, whoever submitted their request. And now we have this List of 59, and you referenced a List of 27 that you think might be a higher priority.

To my colleague Assemblyman Diegnan's point, is there a way to take those 27 and maybe move farther out some of the 59? I mean, really, when we're talking the limited resources this State has, I kind of think we should be looking to really prioritize, and sometimes that's hard decisions.

And I'd also like to throw out there that somewhere in the prioritization process should be a process for non-Abbotts to start submitting their projects.

MR. WEINER: Yes. First, we believe strongly that prioritization and a transparent, robust prioritization methodology needs to apply to the allocation of scarce resources. In our third Working Group report, we spent some time -- a lot of time talking about the methodology that we use in Abbotts.

One could say to us -- and if it was the Legislature's direction, we would clearly do it. One could say to us to go back and reprioritize. The problem there is, we would be repeating what happened in the past. We'd be stranding capital and projects. Money has been spent on all those 59 projects. They're all needed. Some have higher priorities than others.

So we suggested the approach of additional authorization, again, that would probably have a budget impact two or three years down the road. That would allow us to take a look at all the projects that have come through the long-range facility planning process now being reviewed; sequence them -- I'm talking about Abbotts now -- sequence them; and take the West Side High School project, for example, in Newark and push it a little further down the list as a matter of time, not need. The reality is, it's needed yesterday, but it can't be built for 18 months -- we can't start construction. It would take other projects that are stranded -- to use that phrase again -- the List of 97, and sequence them properly.

That reprioritization can be done lots of ways. Given our current resources, we have adopted the policy not to take projects off the List of 97 and move them ahead of some other place. We would consider where a district made that request because of some compelling need, but that's the only case.

Now, in terms of non-Abbotts, it's also our belief there needs to be some prioritization. And what we suggest, in the Working Group report, is that access to that fund of \$750 million be done based upon an alignment with State policy, whatever that might be. So just to take one example, if State policy is a development of early childhood education centers then, to oversimplify it, maybe the non-Abbott districts, also -- in order to have access to that support -- you would need to support early childhood education centers, and/or health and safety, and/or overcrowding, whatever the particular priorities are. Whereas, in the past, the first district in of non-Abbotts got the grant. So we agree with you there and have made some recommendations in that regard.

ASSEMBLYWOMAN BECK: Thank you.

I know you have referenced 260 parcels of land, which have been purchased. Now, in retrospect, are some of those inappropriate? I mean, should we be holding these 260 parcels now, when you go back and review them, or some of these maybe need to be sold by the State?

MR. WEINER: Well, right now, based upon all the information we have to date, there are going to be schools built on these properties. Again, the most notable one that's been batted around a lot is University Heights, in Newark. There will be a school on that property. It will probably be in the next round of funding, for sure.

My point was that at the time that property was acquired-- And in some cases, like University Heights, the neighborhood is destroyed -- the neighborhood is just taken out. It was done without any planning. If anybody had stopped to think, they might have said to you, "We're not going to be building this school for another five years. So let's deploy that capital today on something else."

If, through the long-range facility planning process -- hypothetically, I don't know of any-- If School X gets taken off the list, and we had acquired property for School X, then we would certainly sell that on the State's behalf and redeploy that money for a current project.

ASSEMBLYWOMAN BECK: Sort of back to your proposal for the next round of funding, my sense is this-- My sense is that, until the audits are completed in the remaining 27 districts, and that we know internal controls are in place in all 31 Abbotts, that we're not going to have jukeboxes and dead people funded with public dollars -- that there isn't

going to be a stomach for additional funding for school construction. That's my feeling.

MR. WEINER: Well--

ASSEMBLYWOMAN BECK: And I think the other piece of that is that there are many legislators -- including my colleagues around the table here -- that don't have Abbott districts, or maybe have one or two, that also think if you put forward a proposal to the Legislature, it needs to include dollars for non-Abbotts.

MR. WEINER: Well, let me address both those points, if I may.

Any proposal that we support -- and this is in the Working Group report -- does include funding for non-Abbotts. We think it's essential. And we think, as I said in my remarks, there is a need across the state, in districts that are currently called Abbott districts and those that aren't called Abbott districts. The need exists throughout the state.

I would respectfully suggest-- I understand your point, and I take your point on the *stomach* -- to use your word -- of people to wrestle with this issue. I would urge your colleagues -- if anybody asked me -- to separate the accountabilities that are important for the management of the operation of the schools, which is the audit issue, and what we've done at the Schools Construction Corporation. If this was 18 months ago -- 24 months ago -- that was a fair comment about the SCC. In fact, all work stopped at the SCC two years ago because of that.

We need to be able to address this today. And whatever that audit -- those audits may say about a given district, it doesn't touch upon the execution of the delivery of a school. It does touch upon other

operational aspects. I don't mean to minimize that at all. But the kids in Abbott and non-Abbott districts need new facilities throughout the state. It is a multi-generational problem. There is simply not enough money available at any single point in time to address it. And we need to start that process as soon as possible. And I hope that we've been able to increase your confidence level on our capabilities to manage the funds that are entrusted to us.

ASSEMBLYWOMAN BECK: And that's a fair point. I do think you've made an excellent presentation. And it does sound -- that you've got a management team in place that is being very cautious. But these are State-operated districts. And at some point, the SCC interacts with the people who are managing those districts. And what we've found with the audit reports is that they weren't being--

ASSEMBLYMAN STANLEY: Assemblywoman, you have made numerous inferences and references to the audit report. We are not here discussing the audit report. We are here discussing school construction.

Now, I've given you quite a degree of latitude on this issue. But when you raise issues such as that, and conversations such as these, all you tend to do is to raise this divide that we have seen for years, with respect to poor urban districts and wealthier suburban districts. And I would like to implore you, and request of you, that you not make these types of disparaging remarks, these types of inflammatory remarks, in meetings that we are trying to conduct business -- so that we can move ahead, not just for the sake of Abbott districts, not just for the sake of non-

Abbott districts, but for vocational districts, and all of the districts of the State of New Jersey, and all of the school children.

So I've given you a great degree of latitude. If you have no other further questions, I'd like to move forward.

ASSEMBLYWOMAN BECK: I have a handful of other questions.

Thank you, Chair.

I'm curious--

ASSEMBLYMAN STANLEY: Well, we have to move on, Assemblywoman. But I will give you a couple more questions.

Thank you.

ASSEMBLYWOMAN BECK: Thank you, Chairman.

I noted that you said you're undertaking the rewriting of the contracts now. And I'm just curious what the delay was in maybe getting that going. Did it take a while to figure out the existing contracts were not suitable?

MR. WEINER: Well, there were a couple of issues. One is, there were so many issues to deal with, like in any other prioritization we had to prioritize different things. We are dealing with some of the contract term issues, because we can't rewrite existing contracts. I mean, we've got a contract with somebody. So this is really for the future work.

ASSEMBLYWOMAN BECK: Prospective.

MR. WEINER: So we ended up deferring our work a little bit to deal with current problems. We're dealing with the current problems in the context of the change order negotiations I alluded to, where we're asserting claims. And we've initiated negotiations with some of the

companies, where we suggest to them that maybe they didn't deliver all that was anticipated for their fee. And we're not describing fault, but just saying, "Maybe there is some of that fee that should be returned to the State, given what you did." And we expect some success in those negotiations.

ASSEMBLYWOMAN BECK: Thank you.

Just curious-- As you're looking forward to the coming year, you projected 40 additional members of staff, which is about a \$10 million investment. And, of course, I'm very hesitant about that, because that's obviously \$10 million that we could be investing in building schools. And, of course, my preference is that some of that would get to the non-Abbotts. So just if you could, maybe talk about that for a minute.

MR. WEINER: Yes, let me talk about the philosophy that underscored it.

There is no doubt in my mind that the agency was under-resourced. It didn't have enough bodies. That was part of the problem to do it. This is a multi-billion dollar corporation. And it had the wrong types of people in some jobs and not enough people in other jobs. That was the problem. And I will say, in all honesty, that if somebody had said to me, "Scott, will you take on this assignment? But here's the deal: There are no more resources," I wouldn't have taken it. I mean, I'm willing to take challenges, but I'm not stupid.

I will defer to my colleague who had a great quote on that issue.

Now, what we have done, and on Page 17 -- I don't want to take up the time. In making that, the Board held us -- held management accountable to say, "It's not enough to say you need it. We agree you need

it. But what are we going to get for it?" So we have identified savings in excess of that investment in people. And the Board is holding us accountable for that. We are developing a methodology to account for it. They're going to be monitoring us. And our success is going to be based upon delivering at least that \$10 million investment. But we're shooting for the whole \$24 million that we think we'll be able to achieve. And we just simply couldn't have achieved it without those -- without that investment.

Now, that \$24 million of savings, in fact, gets plowed back into school construction activities -- the actual activity of our business. It doesn't get plowed back into new operations.

ASSEMBLYWOMAN BECK: Thank you.

Just a closing, through the Chair -- and certainly appreciate his rage. I'd invite him to come to my district, so he can feel the rage that my citizens feel when they pick up the newspaper and see some of the bad things that are happening.

I understand that Scott and Barry are doing the best they can. But it is my opinion that until all 31 Abbots have a forensic audit done, and there are internal controls put in place, that we should not be looking at spending additional dollars on school construction.

ASSEMBLYMAN STANLEY: And I echo you, Assemblywoman. I believe that there should not be another dollar going to any district until every single district has a complete audit done. And I guess then we won't see any money going anywhere for the next 10 years.

But I certainly receive your comments in the -- I guess in the way in which they were placed.

We have, now, Philip Beachem and David Sciarra, who will be coming forward from Building our Children's Future.

MR. ZUBROW: Thank you.

ASSEMBLYMAN STANLEY: Thank you.

PHILIP BEACHEM: Good afternoon, Assemblyman Stanley, members of the Committee.

I'm Phil Beachem, President of the New Jersey Alliance for Action, and Co-Chair of Building Our Children's Future.

With me is David Sciarra, Executive Director of the Education Law Center, and my fellow Building Our Children's Future coalition Co-Chair.

We appear here today on behalf of our coalition.

Building Our Children's Future is a broad-based coalition, comprised of taxpayers, parents, education leaders, community advocates, municipalities, construction professionals, business and civic organizations, who are committed to ensuring that the State fulfills the New Jersey Supreme Court mandate to guarantee safe and educationally adequate school facilities to all children. BOCF is also committed to making sure funding is available on a sustained basis for our State's school construction program. We have provided you with a list of our members and our member organizations.

As you know, the initial funding authorized for the school construction program in 2000 is almost exhausted. We also know that this initial round of funding was provided in order to get the program started and that there remains a substantial need for new and renovated schools statewide. BOCF believes that the school construction program should be

fully funded by the Legislature in a sustained manner, similar to transportation and other ongoing capital infrastructure needs. A new infusion of funds for school construction is also urgently needed because many of the approved projects in districts across the state -- both urban Abbott districts and other districts -- have been stalled and unable to move forward as a result of the depletion of the initial round of funding.

In passing the Education Facilities Construction and Financing Act in 2000, the Legislature recognized that adequate school facilities are an essential component of a high-quality education, necessary to fulfill the State's obligation to provide a thorough and efficient education for all of New Jersey's public school children. In short, the Legislature understands that the discharge of the State's constitutional responsibility, under the Education Clause of our Constitution, ensures -- includes ensuring that all students are educated in physical facilities that are safe, healthy, and conducive to learning.

If left unfunded, the school construction program will be unable to address emergent health and safety problems, classroom overcrowding, or provide early education programs desperately needed by so many of our youngsters. Moreover, the school construction program generates significant benefits for our State's economy; assists in revitalizing urban and low-income neighborhoods; and provides opportunities for training, employment, and contracting for community residents and small minority- and women-owned businesses. Further, not only is the program an engine for economic growth, it also provides much-needed property tax relief for residents in urban, suburban, and rural districts across our state. Indeed, the school construction program has been perhaps the most important

source of property tax relief provided by the State to local homeowners and renters over the last five years.

This past September, Governor Corzine's Working Group on School Construction issued its third and final report. That report calls on the Legislature to approve an additional \$3.25 billion in school construction financing. To date, however, no legislation has been introduced to implement the recommendation.

We recognize that the Legislature has competing legislative priorities and many demands for State funds. You must, however, find a way to promptly address the need for additional school construction funding. Every day, throughout our state, too many of our students attend schools that are unhealthy and unsafe, in classrooms that are overcrowded or in temporary trailers, and without up-to-date science labs, art rooms, libraries, and other specialized spaces necessary to deliver rigorous educational programs under New Jersey's Core Curriculum Standards. These students cannot be allowed to wait any longer.

On behalf of these students, we urge you to take immediate steps to introduce, consider, and enact the legislation necessary to rebuild and modernize our public school infrastructure so that yet another generation of students does not have to pass through schools unfit or inadequate to meet their educational needs. Let's act now to help them succeed.

I want to thank you for the opportunity to present the views of our coalition on this important and pressing topic.

ASSEMBLYMAN STANLEY: Thank you.

Mr. Sciarra.

DAVID G. SCIARRA, ESQ.: I really don't have anything to add to that.

I would just like to make a comment about the coalition and the coalition's mission, and to make sure that it's understood that we're here talking about educational facilities' needs throughout the state, not just in the urban districts, but also in districts across the state.

I want to echo-- We fully support what was -- what Scott Weiner said and Barry Zubrow said, about any new legislative authorization of funding should include continuation of the program statewide. And, in fact, I want to mention that some analysis has been done of how the non-Abbott district portion, since 2000, has been allocated. And it shows that much of the funding there went to higher-wealth suburban districts that were able to pass their bonds and come to the State for the supporting grant to support their projects. So those districts have moved forward. We have a lot of districts, I think has been mentioned -- was alluded to earlier -- a lot of districts that have difficulty passing their bonds and getting access to the school construction program. So one of the things you need to be looking at as you go forward is: How do we make sure the next round of funding meets the most pressing needs, as appropriated and authorized, and also meets the most pressing needs for schools statewide?

So I just want to emphasize that point. We're not here talking strictly about the needs in our city districts. Obviously, they're pressing. We all know about those. Since the State manages the program directly, we've talked a lot about how that's been done. But I think our coalition is deeply committed to making sure all legislative -- all districts -- school districts -- and legislative districts for that matter -- and children throughout

the state have access to the funds that have been made available by the school construction program in this next round of funding.

So I want to echo Chairman Stanley's point, that we need to move past-- This is not an issue of Abbott versus non-Abbott, urban versus rural, versus suburban, versus mid-wealth, versus inner-suburban -- whatever you want to call these districts. This is about all kids, everywhere throughout the state, and figuring out a way to make sure that we reauthorize and restart the school construction program so that we can begin to -- continue to meet the needs of students, statewide.

ASSEMBLYMAN STANLEY: Thank you, both.

MR. SCIARRA: Thank you.

MR. BEACHEM: Thank you.

ASSEMBLYMAN STANLEY: Any questions from members?

(no response)

Next we want to move into the Interdistrict Public School Choice Program evaluation segment. And we have Brenda Liss and Paul Tractenberg.

P A U L L. T R A C T E N B E R G, E S Q.: Mr. Chair, members of the Committee, I'm pleased to be here talking about the Interdistrict Public School Choice Program.

ASSEMBLYMAN STANLEY: Please state your name.

MR. TRACTENBERG: Paul Tractenberg.

I am going to be talking very briefly, and will turn over the microphone to my colleague Brenda Liss, who was the primary author of the report, which we submitted some months ago to the Legislature and made public.

I have only four points to make, which I will make very briefly. The first is a kind of contextual point. I think our report demonstrates the importance of basing policy on solid, professional, and independent research, evaluation, and analysis rather than on sensationalism, demagoguery, and anecdotal evidence. I can't stress that enough.

Point number two: When we did our first school choice report some years ago, I think we were all shocked to find how limited New Jersey's public school choice opportunities are. They are far less than the opportunities in the average state, and vastly less than the opportunities afforded students for public school choice in some of the leading states.

That leads me to point three, which is, I think, reauthorizing the Interdistrict Choice Program; indeed, enlarging it. It is both appropriate and perhaps even necessary to respond to the legitimate desire of many parents to have some element of choice in the education of their students. Our report outlines many of the questions which the Legislature will have to consider in deciding whether to reauthorize; and, if so, how; what purposes it hopes to achieve.

The program, as Ms. Liss, I'm sure, will describe, is a very limited one. There are five counties that have no school choice program at all. There are other counties where multiple districts wish to be permitted to have school choice. Under the statute, only one per county is permitted. So there are a lot of issues about, first, whether the program should be reauthorized, whether it should be enlarged, and how to go about doing it.

A final point I want to make is that I believe it's essential that reauthorization of this program -- initially a five-year pilot, which has turned out to be, effectively, a seven-year pilot -- be done in the much

broader context of considering the role of school choice, generally, in educational policy. And by that I include intradistrict school choice, charter schools, and even the possibility of public funding of some private choice. There is a bill before the Legislature to provide for tax credits for various contributions. We're just issuing -- and I think we have some copies, hot off the press -- of a memorandum that evaluates and analyzes the pending bills in the Legislature on that matter.

But, beyond that, I think it's important-- And, actually, the fact that we're seven years into this pilot may turn out to be fortuitous, because we are launching a review of school finance and school funding generally. And I think the role of choice and the funding of it -- the degree to which the State contributes funds for promoting school choice -- is a very important part of that discussion, and ought to be considered as part of the broader consideration of school funding reform that I know the Legislature will be undertaking in upcoming months.

So, with that, I'd like to turn it over to Brenda Liss, my colleague.

BRENDA C. LISS, ESQ.: Thank you, Professor Tractenberg.

Is this on? (referring to PA microphone)

UNIDENTIFIED COMMITTEE MEMBER: No.

DR. TRACTENBERG: Push the button.

MS. LISS: Thank you.

I'm going to be referring to the report that we submitted several months ago. And I understand that copies of the report have been distributed to each of the members. I just wanted to make sure -- you don't

necessarily need to have it in front of you. But I thought it might be helpful so that if you don't, I could offer you a copy here.

Are we okay on that? (affirmative response)

Let me first introduce myself and introduce the Institute on Education Law and Policy. I'm Brenda Liss. I'm the Executive Director of the Institute. Our Institute is an organization within Rutgers University. We are an interdisciplinary research and policy analysis organization. Interdisciplinary by design -- that is, we are located on the Rutgers-Newark campus, technically administratively part of the Rutgers Law School in Newark, but we have participation in each of our projects by faculty members and students both in the Law School and other parts of the University, as well as education practitioners. But the idea is that interdisciplinary research and analysis is a fruitful combination, has proven to be fruitful over the years in the development of New Jersey's education policy. The collaborative interaction between lawyers and others, as we on the law side refer to it; and some would say others and lawyers -- the social scientists and others, or educators and others -- has proven fruitful over the course of the development of our State's education policy, primarily in Abbott. And our Institute was founded by Professor Tractenberg, as the culmination of his experience in Abbott and other aspects of education reform in New Jersey. But that relationship and that interaction between lawyers and social scientists led to both the Abbott decisions -- those were informed by social science -- and our State's policy overall, which has been informed so much by the relationship between the law and social science. So that's what we bring to every project that we work on.

I always mention that we are not the Education Law Center. I always am asked what is our relationship to the Education Law Center. And I think it's important to point out -- not to disparage the Education Law Center at all -- but that we are not them. We are not an advocacy organization, we don't engage in litigation, we don't represent any particular party or constituency. We do all of our research with personal opinions on the issues, but not with an effort -- in an effort to reach any particular conclusion. As Professor Tractenberg said, we don't come with a particular agenda to our projects. We look at the research. We try to translate that research into terms that are understandable for policy makers and the public. That's what we've done with this project.

The report that we're going to talk about -- the Interdistrict Public School Choice Program -- our evaluation of it, was done under a memorandum of agreement with the Department of Education, with funding both by the Department and this Committee. It's part of a project that we call *A Closer Look at Public School Choice in New Jersey*, in which we are -- we have done this evaluation of the pilot Interdistrict Choice Program. And we are also doing a similar project on the State's charter school program. That's in progress now. We're hoping to have a similar report on that program, as well. As you know, our charter school program in this state is now 10 years old. And we think this is a good time to look back on the experience and look at the issues that have been raised. And while it's not a pilot that will need reauthorization, it's time, probably, to look and see whether there are any changes in the legislation or regulations that would be appropriate, or in the way we administer that program.

And this project also followed from an earlier one that we did, which we called *Setting the Stage for Informed and Objective Deliberation on School Choice*, in which we looked at the broad range of school choice programs and issues in this state and elsewhere, and the research on school choice, in an effort to determine what, if any, role choice should play in our State's effort toward education improvement and reform. So this is an outgrowth of that project, again focusing specifically on interdistrict school choice.

The methodology for this report was primarily that we obtained information from the Department of Education. Their staff has had a close relationship with the participating districts in the pilot. They gathered a lot of information, and we had the benefit of all the information that they had gathered. We also distributed a survey to each of the participating choice districts. There are 16 districts around the state who have participated in this program. Twelve of them responded to our survey. So a lot of the data that we've received is directly from those districts. We did not go into any of the-- We didn't ask any of the sending districts for information. We didn't go to the districts to collect data relating to individual students ourselves. We don't have any student level data that is reflected in this project.

So, the Interdistrict Public School Choice Program was authorized by the Legislature in 1999. As we said, it was conceived as a five-year pilot. It has been continued for a sixth and seventh year, as a result of appropriations that have been provided for the program. It will not continue for another year unless, again, the appropriations act provides

additional funding; and/or there is a reauthorization, either with the same terms or different terms -- as well as further appropriations for the program.

But the legislation provides that any students who are currently enrolled in other districts under the Interdistrict Choice Program are entitled to remain where they are until graduation. The language in the act is that they may remain until graduation. It's not really clear what that means. I think it's been understood to mean until 12th grade, whether they're in the 4th grade or the 11th grade. One might say that a fourth grader will graduate at 8th grade or whenever that school ends. But I believe it's been understood, generally, that they may stay for their entire 12-year school career. But that raises the issue, then, of funding. If they're entitled to stay in the district, and there is no funding for the program, it's going to be the obligation of those choice districts to support those children, educate those children, even without the State funding that they've been provided under the program. So that's where we stand now. There are about a thousand students who are participating in the program in a range of grades. But they will each be permitted to remain, whether the program is reauthorized or not.

ASSEMBLYMAN STANLEY: Let me just ask you a question right there, if I may.

If the program-- Are we continuing to accept new students into the program, or has that ceased as of two years ago?

MS. LISS: My understanding is that funding was frozen this year at the level which was determined on the basis of the October 2005 enrollment. So it was frozen at last year's level. But as some students graduated, some districts did accept new students to replace them, to use

the funding that they would receive. I don't have information as to whether all districts accepted new students. But I know that there was -- the idea was that there would not necessarily be a net decrease in the number of students participating.

ASSEMBLYMAN STANLEY: Okay. As far as the authorization of the program was concerned, it was supposed to be a five-year program. And I guess it's continuing on because funding is continuing.

MS. LISS: That's right.

ASSEMBLYMAN STANLEY: However, there is not necessarily authorization for the continuation of the program from the standpoint of the initial, I guess, intent of the Interdistrict School Choice Program.

MS. LISS: That certainly seemed to be the intent, that it was going to be a five-year program. It didn't explicitly say-- The statute doesn't explicitly say, "This is a five-year pilot." That five years comes from the fact that the number of districts that are authorized to participate in the program were defined as, I believe, 10 in the first year; 15 in the second year; and 21 in the third, fourth, and fifth year of the program. And that's the only reference to five years.

ASSEMBLYMAN STANLEY: Okay. All right, let me let you continue with your testimony.

MS. LISS: Okay.

The way the program works is, essentially, that students are permitted to choose to attend school, free of charge, in another district that has voluntarily participated in the program. Districts who volunteer submit an application to the Department. The Department considers whether to

accept that voluntary application by the school district. If it is accepted, students are permitted to attend.

Again, without the authorization of this program, there is a statute which authorizes school districts to accept students from other districts into their schools on a tuition-paying basis. And not many school districts do receive them, but some do. But this is the only opportunity for students to attend where either their parents or their local school districts don't have to pay tuition for them to go. This is separate from sending-receiving, certainly separate from regional school districts. It's the only opportunity for parents to choose to send their children to school in another public school district in the state, free of charge. And the subsidy is provided by the State.

Funding is provided in, essentially, two ways: through what's called *school choice aid*, which is provided for each of the participating districts; and aid which is provided to sending districts that are eligible for Core Curriculum Standards aid. Sending districts that are not eligible under CEIFA for Core Curriculum Standards aid do not receive any funding or any cushion. The sending districts aid that is provided under CEIFA is not a separate line under CEIFA. There is a provision in this Act, which says that any district which has students attending school in another district, under the Interdistrict Public School Choice Program, will continue to receive the Core Curriculum Standards aid that it is entitled to, on a declining basis for the first three years. That is, it will receive 75 percent in the first year that a student participates, then 50 percent, then 25 percent.

Because of the freeze on CEIFA, that provision hasn't really been implemented. CEIFA froze-- When CEIFA was frozen, funding was

frozen for all districts. That provision for a decline in CEIFA for sending districts, essentially, has not been implemented for the last five years. So we haven't been able to determine whether or not the cushion was sufficient or whether it was necessary. The effect, essentially, has been that sending districts entitled to Core Curriculum Standards aid have continued to receive funding for their students who are attending school in other districts under this program.

The funding for the choice districts themselves has been set under the Act -- the Interdistrict Public School Choice Act -- the T&E amount for most of those districts, and the maximum T&E amount for districts that are in district factor groups A and B. So it is, again, tied in with the funding that is State aid provided to districts under CEIFA. The amount of it is determined on the basis of the socioeconomic level of the choice district. A and B districts receive a somewhat greater amount of choice aid than other districts who are participating in the program.

As we've said, it is a small program by design. The pilot has been small, it has been limited. The number of participating districts has been limited to 10, and then 15, and 21. The number of districts that have actually participated in the program has grown in the sixth year. We have data for six years of the program. We don't include in our report this year's data. But over the six years that we have, the number of districts gradually has grown from 10 to 16. There are five counties in which there is no district participating in the program. And those counties are Essex, Mercer, Middlesex, Somerset, and Sussex. No districts have submitted an application to participate in four of those five districts -- in four of those five counties. In one of the counties, Mercer County, Trenton did submit

an application in both times -- in the first two years of the program. And both times, those applications were denied by the Commissioner. So in four counties it appears that there has not been sufficient interest in the program for a district to participate.

On the other hand, in three or four counties, there have been more than one district that would have liked to have participated. There was an interest expressed and actually an application submitted in some cases by districts who were told that either they couldn't because there already was one, or there were two applications submitted by districts at the same time and the Department had to choose one.

But on the sending side-- When we say it's a very small program, it is small. But the number of districts that have students participating in the program really is not that small. Over the course of the program, 141 districts throughout the state have had some students participating in the program. In the sixth year -- in 2005-2006 -- 122 districts around the state have had some students participating in the program. So the program has touched a lot of districts around the state, even though the total numbers have been strong -- small. Twenty-six districts in the state have had at least -- have had more than 10 students participating in the program. So, again, 26 is a fair number of districts to be impacted by the program, to have students -- a substantial number of students participating in the program. However, only three districts in the state have had more than 2 percent of their students participating in the program, going to other districts. So while I say it has covered a fair number of districts, a fair number of districts have had some students

participate, usually that number is very small. Only three districts have had more than 2 percent of their students participate in the program.

The Act provides that districts are permitted to limit the number of students who have participated in the program. And of the 141 that have had students participate, the latest data that we have is that 63 districts have chosen to limit the number of students. We don't have figures for anything later than 2003, so we're not really sure that that's a complete number. But the data that the Department -- the most recent data the Department has is that 63 districts have chosen to limit the number of students who may participate in the program.

So in 2005-2006, we had 1,006 students participating in the program. On Page 14 of our report, we provide a breakdown of who those students are, demographically, and from what DFG they come from, what socioeconomic level their districts are. And what the figures show is that Caucasian students have participated in the program in about the same percentage that they are in the statewide student population. Black and Hispanic students are participating in the program at a slightly -- at a lower level than their percentage in the student population statewide. Asian students are participating in the program at a higher level than their proportion of students statewide. And the other figure we have is that students who have been classified with disabilities are participating in the program at a lower percentage than they are in the student enrollment statewide.

Turning to socioeconomic mix: Students from districts in DFGs A, and B, and C-D are participating in the program at a higher rate than students from those DFGs statewide; and when you get to the higher

socioeconomic levels, the percentage of participating students gets lower than the percentage that those students come statewide. So it appears that the program is serving students at lower socioeconomic levels, but not necessarily minority students. Students who are black and Hispanic are participating in the program at lower levels than those students are statewide.

The choice districts themselves are from a range of DFG levels, although there are none in the I and J DFGs. And the sending districts, also, are a range of DFG levels. So you can't really say that there is any particular kind of district that has been participating, in terms of socioeconomics or urban versus suburban. There are two Abbott districts of the 16 that are participating in the program.

And also, as far as pupil proficiency levels go, the data indicates, based on the 2005 ASK 4 test and the 2005 HSPA, the districts that are participating in the program, as well as the sending districts, seem to be about equally divided between below the state average in performance and above the state average. There's a slightly better performance level in the choice districts than the sending districts. There are somewhat greater numbers of choice districts that have performance levels above the state average than below -- greater number of those choice districts than the sending districts that have performance above the state average. But the differences probably are not significant. There is a range, both in the sending districts and the receiving districts. And when we refer here to the sending districts, the data that we've collected is the sending districts that have more than 10 students participating. So we've only looked at those

sending districts that have a fair number of students participating in the program.

Okay. So what is the impact of the program? What have we found to be the impact of the program? We've looked at fiscal impact, educational impact, and the impact on diversity of the student population. The primary impact that choice districts report is the fiscal impact. They are overwhelmingly supportive of the program. It seems that that's primarily because of the funding that they've received, especially those with a fair number of choice students participating in the program coming into their district. Some of them have received substantial amounts of funding. That has resulted in educational impacts that have also been positive. With that additional funding, they've been able to put into place new programs. Some have been able to decrease class size, some have been able to increase class size. Where there had been classes that they thought were too small to be educationally viable, they've been able to increase them to the point that they could keep those classes there. One district has credited this program with its continued survival. That is the Folsom District in South Jersey -- has said that this program meant the difference between that district continuing to exist or not exist.

So the fiscal impact and the educational impact in the choice districts themselves are related. And those districts report that they -- not all of the districts, but about half of the districts have reported that there have been substantial impacts. The districts -- the choice districts which have had not that many students participating in the program have not pointed as much to concrete results in terms of educational programs that have been put into place, and they haven't received as much funding,

obviously. But even they report certain educational improvements; for instance, if they've been able to put into place things like a team teaching program as a result of being able to hire additional staff. One district -- Mine Hills reports that it's made them more effective, generally. Kenilworth, which has received a lot of students, reports that the impact has been beyond the grades that they have choice students. They've received sufficient funding that they've been able to institute new programs not only in the grades where the choice students are enrolled, but throughout their district.

The fiscal and educational impacts on the sending districts, on the other hand-- Again, we did not receive-- We didn't ask for data directly from the sending districts, so we don't have the kinds of survey responses from those districts that we received from the choice districts. But because the numbers of students from each sending district have been so low, and the percentages of enrollment have been so low, there have been no reported impacts, negative or positive, on the educational programs that is reported to the Department. The Department reported to us that they have received no positive reports or negative reports from the sending districts as a result of this program, we believe because the percentage of -- the numbers of students that have been taken from any district have been so small that there has not been a significant impact.

And the fiscal impact has been insignificant because of the freeze on CEIFA. Those districts that have been receiving Core Curriculum Standards aid for students that have gone to a different district have continued to receive that Core Curriculum Standards aid. That's not really how the program was designed, but that's what has happened. So we have

to say that, if anything, there's been a positive fiscal impact on those sending districts that are eligible for Core Curriculum Standards aid.

The impact on diversity is an interesting thing to look at. As far as sending districts go, again, there's been what we consider an insignificant impact on the diversity of the student populations; again, because the numbers have been so small. There is only one district in the state which has had the percentage of any ethnic or racial group increase or decrease more than 1 percent as a result of this program. So a 1 percent increase or decrease in the percentage that any group comprises in the school district, we believe, should be considered insignificant. Some court decisions have looked at whether a certain percentage increase or decrease should be considered legally significant. And those cases don't consider decreases or increases as small as 1 percent. We think 1 percent probably would have to be considered an insignificant impact on diversity.

In the choice districts, however, some districts do report that there has been an impact on racial balance in the districts. Some report none. Some report that the children coming into their districts are of the same racial and ethnic groups as their own children, and they have not seen any impact as a result of this program. But some have reported racial balance increases -- changes in racial balance. And those are of different kinds. In some districts, it's an increase in the African-American population. In one district it's an increase in the white population.

Three examples, I think, are worth noting. One is Brooklawn, in Camden County, which is a K-8 district that has received most of its students under this program from Camden. The impact of the program in Brooklawn has been that the percentage of the student population which is

white decreased from 85 percent -- about 85 percent -- to 70 percent. And the Superintendent for Brooklawn reported that his district has enthusiastically embraced the minority students who have come into the previously, basically -- largely white district. And he has been impressed with how enthusiastically the minority students have been accepted into that district.

Another one worth noting is Salem, in Salem County. Salem is an Abbott district. It receives choice students in its high school, in which the student population is almost evenly mixed between white students and African-American students. All of the choice students that it has received have been white. So they have-- And it's been a small number. So they've had about a 2 percent increase -- they have caused about a 2 percent increase in the white population in that high school. And, again, you might say that that's not a significant increase. But all of those students who have come to the Salem district have come from districts that are virtually entirely white. So the experience for those students has been significant. They've come from a place where there is a homogeneous population to a place where they've been able to experience diversity. So the percentage increase in Salem doesn't really tell the whole story for those students. It really has had an impact on those students.

And the third one that's worth mentioning is Englewood. Englewood actually is the largest choice district, in terms of the numbers of students participating in the program. In some ways, it's a success story. It has attracted students, to a largely minority district, from 46 other districts, mostly from Bergen County. And you know that Bergen County is largely a nonminority county. Most of those districts where the students are coming

from are large -- homogenous or largely white districts. And the result has been that a program has been created in Englewood which is very diverse now. So the success story part of is this program shows that we can create a program which will attract students from nonminority -- predominantly nonminority districts to predominantly minority districts, if there is an attractive program, well-promoted program.

On the other hand, the program that is in Englewood -- and we go into quite a bit of detail in our report. And the Department of Education has written many reports on the status of desegregation in Englewood. But the program in Englewood has not progressed to the point that the Department would like, and that we would like, in integrating the comprehensive high school in the Englewood School District and the district overall. It has been a program which has been created as an academy -- an academy which has a selective admissions process. It is designed to include both students from Englewood, and Englewood Cliffs, which still has a sending-receiving relationship with Englewood, as well as students from the sending districts. The integration between the academy program and the comprehensive high school in Englewood is a work in progress. And the progress has not been as quick as the Department would like, as I say. But the point, for purposes of the Interdistrict School Choice Program, is that Englewood has attracted students from -- as I said, 46 students to a program which now is a model of diversity.

So those are-- That's the broad outline of the program and the impacts that we've been able to identify in the sending districts and in the choice districts themselves.

The issues that have been raised to us by the Department and by the participating choice districts are discussed here in the report. There are two kinds of issues that we've discussed. One is specific details of the legislation that the Legislature should consider if there is going to be reauthorization -- that as a result of the experience over the last six or seven years, the Department knows now probably should be changed. And we agree.

For instance, there is a provision that students are eligible to participate in the program only if they apply during grades Kindergarten through Grade 9. That means that students who are moving into Kindergarten next year are not eligible to participate. Students are only eligible to participate starting in Grade 1. I don't think anybody really thought about it at the time the program started, but that has meant that some families who would like to have all of their children participating in the program, but have some children younger than first grade, have had to either split up their children or not participate in the program at all. And it has reduced the opportunities for some families. There doesn't seem to be any particular reason why Kindergarten students shouldn't be participating in the program.

And at the other end-- As I said, the eligibility is limited to K-9. That is, students can begin participating in the program at Grade 10 at the highest level. If they're not in the program already by the time they're in Grade 10, they're not eligible to begin. So that means students can't participate starting at Grades 11 and 12.

I discussed this with the superintendents from the choice districts as to whether there's an educational reason for that, whether

there's a valid basis for that exclusion from eligibility. And, frankly, there was disagreement. Some of them said, "Yes, it doesn't make sense to start something in 11th grade." Some of them said there isn't any particular reasons. Lots of schools allow students -- private schools allow students to start in 11th grade. There's no reason why we should be excluding them. Vocational districts don't exclude students from starting in the 11th and 12th grades. So if we want consistency between this program and our vocational programs, that rule probably doesn't need to exist.

Also, there has been some discussion in the Department for increasing the opportunities for our 11th and 12th graders. That's when especially 12th graders are getting tired of high school. And if we could maintain their interest by allowing them to participate in a program in another district, there probably would be some educational value to that. So that seems like a provision that is worth giving serious consideration to changing, to allow 11th and 12th graders to participate as well.

There is a provision limiting the program to students who, at the time of their application, are enrolled in the public schools of their district. That means students who are enrolled in nonpublic schools, or who are home schooled at the time of the application, are not eligible to participate. It's not really clear -- it hasn't been made clear to me why that provision was put in there. That kind of provision is typical in State voucher programs, where you want to limit public funding for private schools to go to students who are currently enrolled in the public schools and not those who are currently enrolled in private schools. But when you're talking about public school choice, those students who are currently enrolled in private schools certainly are eligible to enroll in their own public

schools in their own district. There doesn't seem to be a reason for excluding them from participation in this program. Same with home-schoolers-- Home-schoolers, obviously, could come into their own districts any time they want to. There doesn't seem to be a reason to exclude them from this program.

There is a provision -- the provision for which district should be considered the sending district, for purposes of continuing to receive Core Curriculum Standards aid, or whatever aid might go to sending districts in the future. Right now, the provision says that the sending district is the district of residence. That's the district that's going to receive any sending aid. It's become an issue when the sending -- the district of residence participates in a sending-receiving agreement -- is the sending district under a sending-receiving agreement, where all of its students in a particular grade go to school in another district -- and it's that other district that really receives any impact of the loss of the student and loses the funding. That receiving district, under the sending-receiving district, is the one that does not receive the tuition for the choice student from the sending district, and doesn't receive the Core Curriculum Standards aid that it might be entitled to, because of the provision of this Act that says that it's the district of residence that is the sending district, even if that district of residence is not the one that would be educating the student, but for the choice program. So, again, it's a technical glitch, apparently something that was not considered at the inception of the program; but something that as a result of the experience has become an issue, especially for some receiving districts under sending-receiving agreements.

And finally, the one that I think was not anticipated at the outset of the program is the limitation to one district per county, which may or may not continue if the program is expanded. But if there is going to continue to be a one-per-county limitation, those counties where the participating district is not a K-12 district -- is only a K-8 district, for instance -- results-- That circumstance results in that students who attend school in the choice district, the K-12 district, have no place in that county to go under this program. So the program is not serving K-12, if I'm making myself clear.

In, for instance, Camden County, Brooklawn is the only participating district, and it's limited to that one district in that county. But students who are in grades K-9 in Camden County -- if they want to go to a choice district in Camden -- have nowhere to go, because Brooklawn is limited to K-8. If that one district per county limitation is going to remain, the recommendation has been to at least make an exception -- at least provide for K-12 opportunities in each county.

So those are the kinds of technical amendments, technical details that might be considered.

Then we have the larger policy issues. And I know it's getting toward lunchtime, and this might not be the time to consider larger policy issues. But when the-- But I will go on -- and I will. When the program was initiated, even before the legislation was adopted-- Actually, it was initiated as a result of regulations adopted by the State Board of Education, under the authorization that they perceived that they had under CEIFA. And even before it was implemented, after those regulations were adopted, the legislation was adopted and everything went smoothly. But in those

regulations, which have remained in place, the Department identified objectives that could be achieved through greater school choice. And it's those objectives which I think were at least implicitly adopted by the Legislature itself, and which we have looked at to determine whether or not the program has achieved the objectives that it was set out to accomplish.

And those are: that the program could provide greater school choice to parents and students in selecting a school which best meets the needs of the student, and thus improves educational opportunities for New Jersey citizens; to improve the degree to which the education system is responsive to the parents and students; to improve education and enhance efficiency by allowing a redistribution of students, where some districts are overcrowded and others are underenrolled; and, fourth, to improve quality by creating a healthy competition among school districts.

So we tried to evaluate how well the program had done, to what extent had we achieved each of those objectives. And what we determined was it had accomplished some but not others. It clearly has provided greater choice, at least for those students who are participating. For those 1,006 students who are participating, they have achieved greater choice. It has provided greater choice for some groups of students more than others. As I said, for black and Hispanic students to a lesser degree than those students -- than their proportionate share of the student enrollment statewide; to Asian students, greater than their proportionate share of enrollment statewide. In some counties, better than others -- we have not been able to meet the demand in some counties, as well as in others. But in some counties, we have apparently served all of the demand.

Has the program improved the degree to which the education system is responsive? Well, again, to those participating students, the system has been responsive to a greater degree than there had been an opportunity for it before. For beyond those 1,006 students, we don't see any particular concrete evidence that the district -- the system, statewide, or, for instance, sending districts, have become more responsive as a result of this program. That's probably a function of the program size. It's just not big enough to have had that kind of impact on any district or any students except those who are directly participating in the program.

Has the program improved education and enhanced efficiency by allowing a redistribution of students, where some districts are overcrowded and some are underenrolled? Our conclusion is, no. Because, as it has turned out, more than half of the participating choice districts have had an increase in their enrollment over the course of this program, rather than a decrease. Where the Department's approach to the program has been that the program has primarily been to serve districts where there has been a decrease in enrollment in order to fill up classroom space where it exists, in fact the participating districts have had increases in enrollment over the course of the program. That's not to say that they have had difficulty as a result of that fact. It just has proven not to be an issue. Whether or not a district has had increasing or decreasing enrollment seems to have had no bearing on whether or not the program has served it well, or whether or not they've been able to get the benefit of the-- Really, the impact has been the increased funding that they have received. And that funding has been appreciated, whether or not the districts have had increases or decreases in enrollment. To the extent that the purpose of the

program was to redistribute students from overcrowded districts to underenrolled districts, we have not seen that it has had that impact.

And, finally, has the program improved quality by creating healthy competition among school districts? What we've seen is that programs have been put into place, or class size has been decreased because of the additional funding that has been received, not because districts have set out to compete to beat the competition. Beating the competition does not seem to be what this program has been all about. It's been about having additional funding, additional resources for better programs for students. So we haven't seen that competitive effect that, theoretically, comes with choice programs.

Would the program serve any of these objectives better if it were bigger? Well, a bigger program could be responsive to more students. Would a bigger program necessarily result in more districts volunteering to participate in the program? We can't speculate about that. We can't begin to guess whether or not additional districts might have participated in the program if they were permitted to accept, in those where the Department did receive more than one application for more than one district.

But we know from experience nationwide that encouraging suburban districts to receive students from urban districts takes a little bit more than a voluntary program. It takes some kind of incentive. In Massachusetts, for instance, where there is a statewide school choice program, the research shows that suburban districts -- children from urban districts and minority households participate in that program less than students from suburban districts. The studies that we've seen don't necessarily answer why.

On the other hand, the programs in Missouri around St. Louis and the suburban districts around St. Louis, and in Michigan do provide incentives for participation by suburban districts, and financial incentives. And as a result of those incentives, those programs receive considerable support and participation by suburban districts. In order to get the funding, they're willing to accept the students.

So increasing the size of the program, we think, probably would have to be accompanied by financial incentives for participation in the program for it to have a greater impact than it currently does.

On the other hand, the program in Michigan which, as I've said, has been characterized by considerable participation by suburban districts -- also, research shows, that it has had -- it seems to have had a possibly negative impact on Detroit. On the districts where there already were problems -- fiscal problems, as well as educational difficulty -- the program has sucked funds from those districts so that the financial incentive seems to have been too strong. And that tells us that we need to continue to have the kind of cushion that we have already in our program; where districts that are losing students as a result of this program are jeopardized if they're going to be losing too much money as a result of the transfer of funds with the transfer of students. In Michigan, it really is a funding-follows-the-child kind of system that they have. And when funding follows the child without a cushion, the result has been a negative impact on Detroit, as well as some of the inner suburban districts, which have had difficulty competing with the higher-income suburban, outer-ring suburban districts that they have been competing with for dollars and for children. So it's a delicate balance between encouraging districts to participate in the

program and providing the cushion for the districts that those students are going to be coming from.

ASSEMBLYMAN STANLEY: If I could--

MS. LISS: Yes.

ASSEMBLYMAN STANLEY: What kind of cushion do we provide now? Can you go over that now?

MS. LISS: The cushion is only the provision that sending districts eligible for Core Curriculum Standards aid will continue to receive that aid in the first three years that students participate in the program. We don't know whether that's a sufficient cushion because of the freeze on CEIFA. Those districts have continued to receive funding for the choice students going elsewhere -- if they're eligible for Core Curriculum Standards aid -- at 100 percent level. It hasn't been reduced, because CEIFA has been frozen.

But the cushion that is provided for in the statute, if it were implemented, is that in the first year of any student's participation in the program, the sending district eligible for Core Curriculum Standards Aid will receive 75 percent of that aid -- 75 percent of the per-pupil amount of that aid. In the second year, it would receive 50 percent. In the third year it would receive 25 percent. And after that, it would receive none for that student.

ASSEMBLYMAN STANLEY: I'm sorry. Let me let you finish so we can-- (laughter) It's past lunch.

MS. LISS: Yes.

Well, let's get to the issues that we've raised in our conclusion and recommendations. What we've said is, based on our review and

analysis of available data, we conclude that the Interdistrict Public School Choice Program has had positive results. Interdistrict Public School Choice has served some but not all of the purposes identified by the Department at the outset of the pilot -- and those are the purposes that I discussed. The pilot program's impact in each of the areas identified by the Department probably has been limited by its small size. If choice is going to continue to rely on voluntary participation, the State should offer effective incentives for district participation.

In addition, targeting choice could allow it to provide greater choice opportunities to underserved groups. The State might want to consider providing funding not only evenly for any district that chooses to participate, but might say that additional funding would be offered if a district goes out of its way, or limits its program, to students of certain groups. For instance, students who are currently enrolled in schools that have been designated in need of improvement under No Child Left Behind. The State might want to say -- and I think this probably would be legally permissible -- if a district chose to say -- or if the State chose to limit its program to students who are currently enrolled in schools identified as in need of improvement. It could limit the program to that. If it chose to provide greater funding for a district that chose to target its program to those students, that would be a way to target the program to students who are currently underserved by the program.

As far as the funding for the program-- I mean, we have not made a recommendation as far -- as to whether or not this program is effective enough, or important enough, to be at the top of the Department of Education's list of priorities. We know, however, that as Professor

Tractenberg said, there is less -- much less public school choice in this state than in other states around the country. And just the opportunity to increase choice probably is a reason to reauthorize the program and to increase the size of the program.

But we are realistic about the fact that that's going to involve some cost. Having a public school choice program in this state is -- if it's set up in any fashion similar to what we have now -- that is, if any incentive is provided to districts to participate in the program, there is going to be a cost. And if we provide a cushion, as I've suggested, that's going to be an additional cost. So we have to know that.

How that funding works: We go into considerable detail about changes in the funding mechanism, all of which probably need to be given greater consideration than we can do here. If we get to that point, maybe that's the point where we will look closely at how the program should be funded. But those are issues such as: Is there going to continue to be direct State aid for participating choice districts, or should it be funded similar to our charter school program, where funding comes through the sending district, through the locality, to the participating district -- in the charter school program, from the sending district to the charter school? Should we be funding this program in the same way that we fund our charter school program?

Transportation funding is another whole issue. As of now, choice districts are responsible for providing transportation. And they are to receive funding for transportation for their choice students. However, under CEIFA, transportation funding has been frozen for the last five years. Some choice districts who have participated in this program for less than

the amount of time that we've had the freeze have never received any transportation funding. But the issue is: Should it be the choice district that is responsible for that, or should we provide transportation and funding for that in a manner that is similar to our other choice programs statewide, where the sending district is responsible for the transportation?

ASSEMBLYWOMAN VOSS: May I just ask you a question.

ASSEMBLYMAN STANLEY: Assemblywoman.

ASSEMBLYWOMAN VOSS: It has to do with transportation. And that was one of my questions that I wanted to ask. Who provides the transportation? And you answered that.

But I was just informed that- For example, you have Washington Township, which is sending their children to Freehold, and then you have Lawrence Township sending their children to Cumberland. Now, why wouldn't- One of the schools is closer to the sending district than the other. One is a 20-minute bus ride, the other is a two-hour bus ride. I mean, is anybody looking at why certain districts are being sent to certain schools? I mean, is there some formula that I'm missing here?

MS. LISS: Not at all. It's parental choice.

ASSEMBLYWOMAN VOSS: The parents choose to have their kids go on a bus for four hours a day?

MS. LISS: Well, I don't know the distances, and I don't know the transportation arrangements for any particular child. But the way the program works is, a district volunteers to accept students from wherever they want to come from -- to accept all comers. And parents are entitled to send their students to wherever they want to go.

ASSEMBLYWOMAN VOSS: Well, both of these schools, apparently, have an agricultural program, which the parents want their children to attend. And I just-- Because of the tremendous disparity in the traveling time, I just wondered if there was a rationale for it.

MS. LISS: There is no rationale under the statute or the regulations, certainly. And I don't know the situations closely enough. That's the kind of question that, I'm sure, could be answered by the Department's staff, because they know the particular situations -- down to the particular student, in some cases -- as to why they've made particular choices.

ASSEMBLYMAN STANLEY: Thank you.

MS. LISS: I guess the only other point to be made is, as Professor Tractenberg alluded to at the outset, that all of these issues pertaining to this program-- Some of them are very minute and detailed, some of them are huge, school education policy issues.

Our recommendation would be that all of these issues be considered at the same time that we're making all of the other changes in our school funding system and while we're considering the education reforms that are before the Legislature, literally, today. It's not going to help this program, or the students participating in this program, or the State in general if it's considered an add-on. If we consider school finance in general, and then we try to add school choice onto that -- without really thinking about where it fits into the overall scheme, both educationally and financially -- it's just not going to work. I think it has to be considered as part of the overall scheme.

First, decide whether we want to have the program at all, whether it is a high enough priority to reauthorize it. Secondly, to consider at what level -- how much funding is it worth? Should we be considerably expanding it? Should we be offering greater incentives? And then, where will such incentives fit into the overall school funding program? If the school finance system is reformed, and we spend a lot of time on that, we're not going to be able to then add in the school choice program as a patch or as a Band-Aid. The recommendation on my part would be to do it now, think of these issues in the course of the school finance reform efforts that are already going on.

ASSEMBLYMAN STANLEY: Thank you very much.

I know Assemblyman Wolfe has a question.

I guess Assemblywoman Voss has another comment.

And we do need to hear from Dr. Doolan, from DOE.

I'm going to make you get up from that chair in a minute if you don't pay attention to that mike.

Thank you.

Assemblyman Wolfe.

ASSEMBLYMAN WOLFE: Yes, thank you.

I'm sure you have, in the report, this information, but how many students, statewide, are participating in the school choice program?

MS. LISS: In 2005-2006, it was 1,006 students.

ASSEMBLYMAN WOLFE: And the cost for that program?

MS. LISS: The State aid-- The School Choice aid in--

ASSEMBLYMAN WOLFE: Was it \$10 million? I saw \$10 million somewhere.

MS. LISS: In 2005-2006, it was slightly more than \$10 million. That was the only year that it was more.

ASSEMBLYMAN WOLFE: For a thousand students?

MS. LISS: That's correct.

ASSEMBLYMAN WOLFE: Whoa.

All right. I just want to say I read the report. I've always been very supportive of alternatives to traditional education. I believe I was one of the co-sponsors of this legislation when it came through the General Assembly. And I do recall that the Governor, at that time, sort of was one step ahead of the Legislature. Because, as I recall, she authorized it -- or somehow it got authorized before the Legislature got their say in this.

And it was to be a pilot program. I do recall that. It wasn't to be a permanent program. It was to be a pilot program to be reviewed by the Legislature. But I don't recall how many years that review was to have been, or when that was to have taken place.

Now, just-- You do this all the time -- or you did it because of your research. And I know the folks who are going to speak next deal with this all the time. But the sending district gets money, correct?

MS. LISS: Sending districts that are eligible for Core Curriculum Standards aid continue to receive it.

ASSEMBLYMAN WOLFE: But the home district of the student gets money.

MS. LISS: Some of them do.

ASSEMBLYMAN WOLFE: Pardon?

MS. LISS: Some of them do. Those that are eligible for Core Curriculum Standards aid continue to receive it.

ASSEMBLYMAN WOLFE: Okay. And the receiving district, obviously, receives money.

MS. LISS: That's right.

ASSEMBLYMAN WOLFE: Right. But I think you raised, in your report-- The issue is: Where is a student counted as being in? Sometimes some folks look at it as the student is still in their home district, sometimes they're looked at as they're in their received district, correct?

MS. LISS: That's an example of an issue that I think should be considered in all -- in the school funding discussion, yes.

ASSEMBLYMAN WOLFE: Okay. Now, you said because of the freeze in school aid, some districts are continuing to receive aid, even though they don't have students? Was that what you were saying?

MS. LISS: As I understand it, because of the freeze on CEIFA on Core Curriculum Standards aid--

ASSEMBLYMAN WOLFE: Right.

MS. LISS: --the provision of the Interdistrict Public School Choice Act, which says there will be a reduction in the sending district's Core Curriculum Standards aid when students leave the district--

ASSEMBLYMAN WOLFE: Right.

MS. LISS: --has not been implemented. Their aid has not been reduced when their students have gone to another district.

ASSEMBLYMAN WOLFE: Okay. We'll save some money there.

And the other issue I was very interested in-- One of the recommendations -- and I don't recall a page. But you say the private school choice, or I guess the vouchers, are a possibility as an alternative

constitutional right to school choice. You have a heading called that: Alternative (sic) Constitutional Rights to School Choice. You said the Executive and Legislative Branch may consider private school choice vouchers as a possibility, correct?

MS. LISS: Well, we raised the subject, because it has been raised in litigation by others.

ASSEMBLYMAN WOLFE: Right. Okay.

MS. LISS: And one of the remedies that's been claimed in a currently pending lawsuit is both increased public school choice and private school choice.

ASSEMBLYMAN WOLFE: Because we have a school choice program -- you mentioned the charter schools -- the charter school program. But we don't have a voucher program right now. But I do-- I can say, for my one remaining colleague (laughter) -- everybody -- any time a new alternative or a new pilot has been proposed, some groups come out with their guns blazing to knock it down before it ever gets started. And I just really would hope that this program-- I personally feel the program has been successful -- at least this particular program -- and should be continued. And I certainly -- charter schools and school vouchers, I know, are still kind of up in the air. But I think that we have to give an opportunity to folks to have different modes, let's say, to learn.

And I know, certainly, No Child Left Behind kind of encourages the school choice program, whether we like the program -- whether we like No Child Left Behind or not. That's one of the options.

So since the Chairman left, I guess I'm in charge here. (laughter) What do you want to do here?

ASSEMBLYWOMAN VOSS: And I'm going to have something to say. (laughter)

ASSEMBLYMAN WOLFE: Oh, I'm sorry -- and my friend over here.

Go ahead.

MS. LISS: If I could respond to two parts of your comment there. We do address, in our report, No Child Left Behind and the relationship between that -- the policies behind No Child Left Behind, and its particular provisions, and our public school choice program. As you probably know, No Child Left Behind says students who are in schools in need of improvement must be given an opportunity to transfer within their district, and districts are encouraged to enter into cooperative relationships with other districts to allow them to go elsewhere. This programs helps us comply with that. Increasing the size of this program would help us to comply with that even more.

On the other hand, it's not that simple. Having districts voluntarily participate in the program, as we've said, would require, we think, some incentives. It's not going to happen just because it's available, theoretically.

Also, the number of schools in need of improvement, even within some counties, is so great that even offering interdistrict choice -- if the standard is that you could go to another school which has not been given that designation -- is not necessarily going to be a cure-all for giving that additional opportunity for choice to students in need of improvement.

But also, on the issue of private school choice and the current proposal for a new pilot program-- The proposal is for a tax credit program

for contributions to scholarship organizations to allow students to participate in -- to go to private schools with that public funding provided by scholarship organizations. Actually, we have done an analysis of that program. And you say people are jumping on that all over the place, or tend to jump on these proposals to knock them down. Our analysis is that it would not have a beneficial impact. I don't want to say that we're jumping all over it, but we believe that it would have a considerable fiscal impact on the affected districts -- those few districts that are identified where students would be eligible from. The impact on the students that remain in those districts would be considerable and probably would be negative. And there are eligibility provisions that we question, accountability provisions that-- Well, there are no accountability provisions. That kind of program, if it's going to exist at all, we think needs much closer scrutiny. But also, the size of the program and the impact that it would have -- the financial impact on those districts really is something that needs close scrutiny.

So we happen to have our analysis here. And I'd be happy to share it with you. It's not even up on our Web site yet, but we brought copies with us.

ASSEMBLYMAN STANLEY: Assemblywoman Voss.

ASSEMBLYWOMAN VOSS: I just wanted to-- I was very surprised when you said competition really wasn't a factor in this. Because it would seem to me that kids would be competing to get into these schools.

And I happen to be very familiar with the school in Englewood and have visited it many times. It's very, very successful. And I was

surprised that it didn't have more of an impact on the high school there, which is very much in need of some assistance.

And I'm just curious that the State of New Jersey-- When I was driving down this morning, I was listening to a radio show, and they were talking about all of the choices that young people have in New York City. They have the High School of Science -- these are all public schools -- the High School of Performing Arts. And New Jersey doesn't seem to have anything comparable to that. And is there a reason for this? I mean, is part of this program possibly going to evolve toward maybe giving choices of this type to our students?

MS. LISS: What we're seeing is that that is the trend within districts. Vocational districts, more and more, are creating career academies -- highly selective programs, not your traditional vocational programs. And those are similar to the schools in New York that you're talking about -- I think the performing arts schools and the science academies. Many of our vocational districts have very successful and very attractive programs that they get top students from throughout their counties.

And, of course, we have places like Arts High School and Science High School in Newark -- very successful, long-established programs that, because they are not interdistrict programs, only attract students from within their borders. But they do attract, some would say, the best students from within those districts to come to what some consider the best high schools.

ASSEMBLYWOMAN VOSS: Because in New York, it doesn't make any difference where you live, you can still go to wherever you want.

MS. LISS: New York is a much bigger city. That's what it is. But if we created that kind of thing -- that is what Englewood has created -- an interdistrict choice program would allow us to offer that on a statewide basis.

And I didn't get a chance to mention it, but one way to provide the kind of cushion that I was saying probably would be beneficial -- in Michigan, where Detroit has been harmed so much by students leaving -- is to provide additional funding for attractive magnet programs like that, that would attract movement in the opposite direction for suburban students to go into the urban districts, to high-quality programs.

ASSEMBLYMAN STANLEY: Thank you very much.

We certainly appreciate your testimony.

MS. LISS: Thank you. Thank you very much.

DR. TRACTENBERG: Thank you.

ASSEMBLYMAN STANLEY: Dr. Jay Doolan, from the Department of Education.

A S S T. C O M M. E D W A R D J. D O O L A N, Ph.D.: Good afternoon, everyone.

You'll be pleased to know that I will be extremely brief. (laughter)

I'm here with staff from the Department of Education: Rochelle Hendricks, who is the Director of the Office of Vocational-Technical and Innovative Programs. Of course you know Jessica De Koninck, our Director of Legislative Services. And I'm pleased that this is an important topic for one of our State Board of Education members, Maud

Dahme, who is here with me today, and a number of superintendents that I'm sure will speak favorably.

First of all, let me thank Paul, and Brenda, and Rutgers University in particular for the report, and also the knowledge and expertise that both Brenda and Paul bring to this issue. The recommendations that they have provided us will help us shape our goals for the program very soon. And that will be translated into recommendations for you.

Let me state that the Department is supporting the reauthorization of the choice program. We're now working with our Commissioner of Education and members of the State Board of Education to outline our recommendations in light of the Rutgers report.

Let me say that we're considering, now, all of the recommendations that Brenda has focused on. We're especially interested in increasing the number of choice districts in New Jersey. But we're also looking at the funding in light of school funding negotiations and all that that entails.

We're especially pleased to underscore the use of choice in the State's desegregation efforts. Brenda talked specifically about Englewood. I would also add Salem City and Lower Township as places where choice has provided an impetus for improving the number of diverse students in the sending and receiving districts.

Just tomorrow, Rochelle will be reporting to the State Board of Education about Englewood in particular. And I'm pleased to say that we are very pleased with the progress that the district is making, particularly at Dwight Morrow High School. And some of the concerns that Brenda expressed have been eradicated somewhat by the district, and Dwight

Morrow High School in particular. So we know that this particular approach has a lot of opportunity for success in this particular area. And we know, as a State, that we have to improve.

We're also pleased and encouraged by some of the positive results, specifically in terms of student achievement. And though there are districts experiencing student performance above what would be state averages, and some below, we know that all of the choice districts are working to improve that, as we are, as a State.

We want to work with all of you in particular to amend the law as it currently stands. And we believe that the program has enormous importance to choice districts, to parents, and to the students of New Jersey.

Rochelle and I will take any questions if you have them, or we'd be happy to step aside.

ASSEMBLYMAN STANLEY: Any questions?

ASSEMBLYWOMAN VOSS: I just said Englewood is great. You're doing a very good job.

ASSEMBLYMAN STANLEY: Well, thank you very much.

ASSISTANT COMMISSIONER DOOLAN: Thank you.

ASSEMBLYMAN STANLEY: I just have Victor--

ASSEMBLYMAN WOLFE: I want to ask a question.

ASSEMBLYMAN STANLEY: Oh, okay. I'm sorry.

Assemblyman Wolfe has a question.

I'm sorry, Dr. Doolan.

ASSEMBLYMAN WOLFE: Will you be giving recommendations for appropriate legislation to continue this?

ASSISTANT COMMISSIONER DOOLAN: Yes, we expect to.

ASSEMBLYMAN WOLFE: Okay.

ASSISTANT COMMISSIONER DOOLAN: Of course, we're working with the Commissioner and the State Board of Education. We're looking carefully at all of the recommendations that have been presented, based on our own experience. We'll be coming up with some of those to discuss with the State Board soon. And then we will transmit that to all of you.

ASSEMBLYMAN STANLEY: All right, Assemblyman?

ASSEMBLYMAN WOLFE: Yes.

Thank you, Mr. Chairman.

ASSEMBLYMAN STANLEY: I want to recognize Ms. Dahme. Maud Dahme, from the State Board of Education, is here. I just want to make sure that we acknowledge her presence.

Let's see, Victor Gilson, Superintendent from Bridgeton BOE -- Board of Education.

I'm sorry it took so long.

H. V I C T O R G I L S O N, Ed.D.: I was warned it might be a while. And I just want to thank you for showing us the respect of hanging around.

ASSEMBLYMAN STANLEY: You're going to have to push the red button. (referring to PA microphone) Push the button until it's red.

DR. GILSON: How is that?

ASSEMBLYMAN STANLEY: That's fantastic.

DR. GILSON: What I said was, I thank you for showing us the respect of hanging around. We're all hungry. I drove quite a distance, and

I will respect your time. And therefore I will stick to a script which I have copies for all of you. And I will try not to editorialize.

Thank you for allowing me to address you today on the issue of interdistrict school choice. For the past five years, I've had personal conversations and correspondence with the current Commissioner and Commissioner Librera about this topic. The recently released report, under contract for the New Jersey Department of Education, by Rutgers -- which you heard folks speak to earlier -- entitled *New Jersey's Interdistrict Public School Choice Program: Program Evaluation and Policy Analysis*, serves to underscore concerns I've expressed on behalf of the Bridgeton Board of Education for the last five years. Actually, my correspondence dates back to 2002. I'll give you copies of that correspondence attached to this.

The report confirms what the Bridgeton Board of Education has been saying over those past five years. Number one, neither the statute nor the administrative regulations considered districts in sending-receiving relationships, as is the case with Bridgeton, Downe, and Lawrence Townships.

I don't know ma'am, but perhaps, Assemblywoman Voss, there are two Lawrence Townships. There is a Lawrence Township in Mercer County. And the Lawrence Township we're talking about here is in Cumberland County. And that is the Lawrence Township that the school choice report refers to. I know that, because I attended elementary school in that Lawrence Township, and was Principal of the elementary school. I'm Superintendent in Bridgeton, which is also my alma mater. So they know me, know my warts, and allow me to serve them anyway.

The Rutgers report says, “Apparently, at the times of the Act’s adoption, the sending-receiving situation was not considered.”

The second concern we expressed was that receiving districts in sending-receiving relationships should receive the impact aid. Impact aid should not be given to sending districts, because they actually have lost nothing. They would have had to send their students to Bridgeton down in Lawrence. So they’re going to lose them in 9th Grade anyway. So as a result of losing those students, they sent students to choice districts, had the tuition for those students paid, and so they were rewarded for participating in the choice program. I’d say that’s a very significant reward. That is not insignificant at all.

The Rutgers report -- and I’ve stated the pages for you to make it easier for you to follow. These are on Page 38 and 39. “In a sending-receiving situation, where two boards of education enter into an agreement--” Just for the sake of time, the Rutgers report agrees with our position that the impact aid should go to the receiving district in a sending-receiving relationship. And in order to do that, that would require legislation -- in order to change that. The Department of Education does not have, and did not have, the authority to unilaterally make that change.

Our third concern was that the program negatively impacts population diversity at Bridgeton High School. In 2002, 20 of the 29 students-- And I happen to have this in the folder you’re talking about -- what is a significant number and what’s an insignificant number. In research, significance has a very specific meaning. But I will tell you that 32 percent of the white population at Bridgeton in 2001-2002 came from our sending districts. That is a significant number. And when you talk about

numbers -- I don't know what part of my body I would like to lose that would not be significant. So that is such an arbitrary phrase that sometimes I wonder if it's lost all meaning.

So, anyway, 20 of the 29 students who participate in the program were white. And the data indicates it will get worse -- that was our contention -- and it regarded the decrease in the number of students attending BHS from the predominantly white sending districts, Downe and Lawrence Townships. This creates a competitive disadvantage if you think that Bridgeton is going to have to compete with predominantly white high schools in the area. It creates a predominantly -- or a disadvantage to districts like Bridgeton.

The Civil Rights project at Harvard University reported that New Jersey is among the top four most segregated states in America. This law has exacerbated segregation in the case of Bridgeton. Now, that may not have been the case -- and I have read with great interest the Rutgers report -- perhaps it's working somewhere else. But the phrases that were used in the Rutgers report talked about socioeconomic status, rather than white versus black. Sometimes I wonder if they're code words. We know that, predominantly, the poor people in socioeconomic cities and towns in this state are predominantly of color. So that's what we're talking about here.

In the Rutgers report, it says that 99 students now attend the program from Bridgeton's predominantly white sending districts -- that was 29. The report states, and I quote, "it suggests that districts with higher socioeconomic levels than their neighbors tend to attract larger numbers of

choice students.” In the case of Bridgeton, it’s white flight. Let’s make no mistake about that.

And let me remind you, I went -- I grew up in these towns.

ASSEMBLYMAN STANLEY: Let me just clarify.

DR. GILSON: Yes.

ASSEMBLYMAN STANLEY: I just want to be clear what we’re talking about here.

You’re saying Bridgeton is the sending--

DR. GILSON: Is the receiving district. Children who leave 8th Grade from Lawrence and Downe townships, as I did many years ago -- I’m 54 years old -- attended Bridgeton High School and attend Bridgeton High School in a sending-receiving relationship.

Now, with the choice program in Cumberland County, they can opt to attend a high school other than Bridgeton, which is predominantly white. And that’s what is happening. I want to be very clear about that.

ASSEMBLYMAN STANLEY: Now, where are these students going?

DR. GILSON: Cumberland Regional High School, which became a regional when Bridgeton became too large. Cumberland Regional was formed, which took the townships which were predominantly white. And another high school was formed later -- Shalluck (phonetic spelling) High School -- predominantly white.

Now, the report states -- and I just finished that. But on Page 34, the report makes reference to Bridgeton’s complaints about racial imbalance. I have written to the State on a number of occasions. And I’ve included the numerous correspondence with Commissioner Librera and

Commissioner Davy, who wrote to me as lately as January 26, 2007, and promised me that my considerations and my concerns would be considered in the newly authorized legislation -- which I just heard, I guess, the Department is supporting. Although, that wasn't stated in this letter.

Rutgers relied on data provided by the Department of Education and did not contact me. I did speak with Brenda Liss once -- I looked at my phone records. But we provided no data.

Given the 300 percent increase in students participating from Bridgeton sending districts, I would not guess that the DOE would maintain the same position it took four or five years ago -- that there is really no impact. I think 300 percent is a pretty good increase. I think the Department was wrong then, and I think it's even more so now.

Number four: Sending districts have a huge financial incentive to participate in the choice program, thereby creating a significant competitive disadvantage, again. The end result is that sending districts save money. Bridgeton lost money, and the choice district made money. The Rutgers report says, on pages 3 and 25, "School choice aid has been a substantial source of revenue for choice districts."

Number five: There is an "absence of any reputable research validating that choice improves pupil learning and achievement." In fact, it's just the opposite. There is none. And I'm not going to go through this again, but in the Rutgers report, Page 30 and Page 33, there is, "No correlation has been identified between student achievement and participation in the program."

And on the other side of the continent, in California -- and I have the copy with me now, if you care to see it. I was reading it just a

week or so ago. It did a similar-- It's a 185-page report. And they were even clearer. It said that there is no correlation with student achievements. The students-- The choice program in California has not affected student achievement, and it hasn't here. And there are several things that I could reference in the Rutgers report on those pages.

So my question is: At a time when the State is strapped for money to fund education -- and we just heard a thousand students costing \$10 million -- why is the Appropriations Act continuing to fund a program that costs millions and has "no correlation to student achievement"?

In fact, the 2006 report entitled *Does School Choice Work: Effects on Student Integration and Achievement*, prepared by the Public Policy Institute of California, concluded that "On the whole, there was no systemic improvement or deterioration" -- it didn't hurt or help -- "in test scores from participating in a choice district."

Now, if you're in an Abbott district, like I am -- and we live and die by test scores -- test scores are pretty important, even though I disagree that should be the only measure to determine whether or not a school, or a school district, is successful.

The Rutgers report also states, "The program has been successful" -- and I'm quoting -- "to some degree, in serving two of the stated purposes." And you heard Ms. Brenda Liss state all the purposes -- I'm not going to repeat those. To me, in other words, the program hasn't accomplished any of its goals.

This is in stark contrast to the New Jersey Department of Education's *Interdistrict Public School Choice Program Annual Report* -- which I have a copy of, and perhaps you do too -- which states, "The Interdistrict

Public School Choice Program has met and exceeded the expectations and aspirations of the New Jersey Legislature and Department of Education in creating this program.” So we have one authoritative report saying one thing, and another which I presume to be -- is an independent report -- saying it really didn’t accomplish any of its goals -- maybe some partially.

ASSEMBLYMAN STANLEY: Do you have a copy of your testimony that you can give staff so that they can distribute it to us?

DR. GILSON: Yes, I do. I brought copies. I was told by Melanie to bring 20 copies.

ASSEMBLYMAN STANLEY: Okay. Thank you.

Yes, staff will get them for us.

DR. GILSON: Yes.

This is 19, and I will give you number 20, which I’m reading from.

Thank you.

Finally, ladies and gentlemen, there is an ill-founded and unsupported notion that competition is going to make schools better, thereby causing parents to choose the better school. And those schools not chosen, I guess, will cease to exist. Now, just think about the absurdity of that position.

Since you just heard from the SCC, you know the State is not in a position to abandon a good school building, go down the street, and build a new one that’s going to have all the better students and the better teachers than the one they just closed. I wish it could be so easy. Don’t we all wish it could be so easy?

We must make existing schools excellent. And you don't do that by competition, because inherent in all competition is a winner and a loser. Otherwise, it's not competition. If you buy into the competition model, you're indicating not only your resignation, with the hopelessness that there will be losers, you're actually supporting a model and a way of thinking that is designed to create losers.

We have a choice program in this State that is full of inequities. If there is to be true competition between schools -- and I already indicated to you what I think of the hopelessness of that competition model -- there must be a level playing field, meaning everyone has the same resources, opportunities, and the same chance of "winning."

I ask you: How can schools compete when programs like this contribute to inequities between so-called *competitive* schools? Can I compete on the basketball court with Michael Jordan? Do I have a chance of winning? Now, while I still continue to play basketball at age 54, I am testimony to the adage that white men can't jump -- I don't have a chance against Michael Jordan. And when you create situations like this, neither do schools who are feeling the inequities. Me competing against Michael Jordan would not be competition. Can schools compete when not only has the State created an inequitable model, but it allows people to choose schools based upon personal beliefs that simply have no room for inequity -- or, I should say, equity?

If, for some reason, you are inclined to continue the program, despite it's multitude of problems, I would be-- Actually, I would like to be involved in helping draft legislation of regulations that would eliminate the -- such glaring inequities and the unfairness.

Thank you very much for listening.

ASSEMBLYMAN STANLEY: Thank you very much, Dr. Gilson.

Is there anyone -- any other superintendents here willing or desiring to testify?

LLOYD M. LESCHUK, Ed.D.: I just would like to speak for a moment, if I could.

ASSEMBLYMAN STANLEY: Sure.

DR. LESCHUK: I have not prepared my--

First of all, my name is Lloyd Leschuk.

ASSEMBLYMAN STANLEY: What you should do is take a seat and then press the button (referring to PA microphone) there. Make sure it's red.

DR. LESCHUK: It's on red.

My name is Lloyd Leschuk. I'm a resident of Little Silver, New Jersey. I'm Superintendent for the last 15 years in Kenilworth, New Jersey.

I read the report. I've been involved in choice from the very beginning. And if you had an opportunity to read the original report on choice, you would notice that my school district's purpose of entering choice was to increase the racial and ethnic diversity in Kenilworth schools.

Those of you who may not be aware, we're in Union County. We broke up a regional school district and became a K-12 -- actually pre-K-12 school district. We have 105 children in choice in our schools.

And instead of just going with the statistics -- I could go with the statistics about improvement. Our students outperform every one of the school districts that send to us -- the eight school districts. But I'd like

to talk about the face of choice in Kenilworth -- when we're talking about live or die with it.

Three students -- I'll just mention their first names -- Amber, Gabriella, and John. Amber is a sophomore now at David Brearley High School, is able to participate in the band, able to be everything in the school. In the school that she was going to in high school -- would probably be pretty good, be a good student there. But given 5,000 students in that high school, graduating 1,200 from that high school -- I graduate 100, 120. She's able to participate in everything.

John was going to another very large high school. He came to our school and was involved in everything. We have -- from sports to clubs, we have a no-cut policy.

Finally, Gabriella: She's a sophomore at Rutgers University. She told me she would have never gone to college if she stayed in the same place she was going to school.

So that's the face of choice within our experience.

Looking at Kenilworth, where we were a C-D district, now we're a D-E. It has done wonders for our school. And we feel that we have done wonders for the children that have come to us. It's a very special place. Some of the things that--

I would agree totally about the sending districts needing a cushion. But when the freeze was put in, there was another freeze that was put in. We received no transportation aid, even though we were supposed to. So we've been subsidizing transportation for our students.

I would like to see the choice program expanded. I would like to see a K-12 option. We do not have space in our elementary school, but

we've already worked out an agreement with another very small district that's barely surviving to have a K-12 option in Union County. We'd like to see that. It's worked well for our children. And we look forward to it in the future.

Thank you very much.

ASSEMBLYMAN STANLEY: Thank you very much.

Questions from any members of the Committee? (no response)

I don't see any other persons willing or wishing to testify.

I want to thank all of you for your patience. The Committee will certainly make sure that we address and continue the dialogue with the Department of Education, with respect to the continuation of the Interdistrict School Choice Program.

Again, thank you all for coming.

Thank you, members.

And we stand adjourned.

(MEETING CONCLUDED)